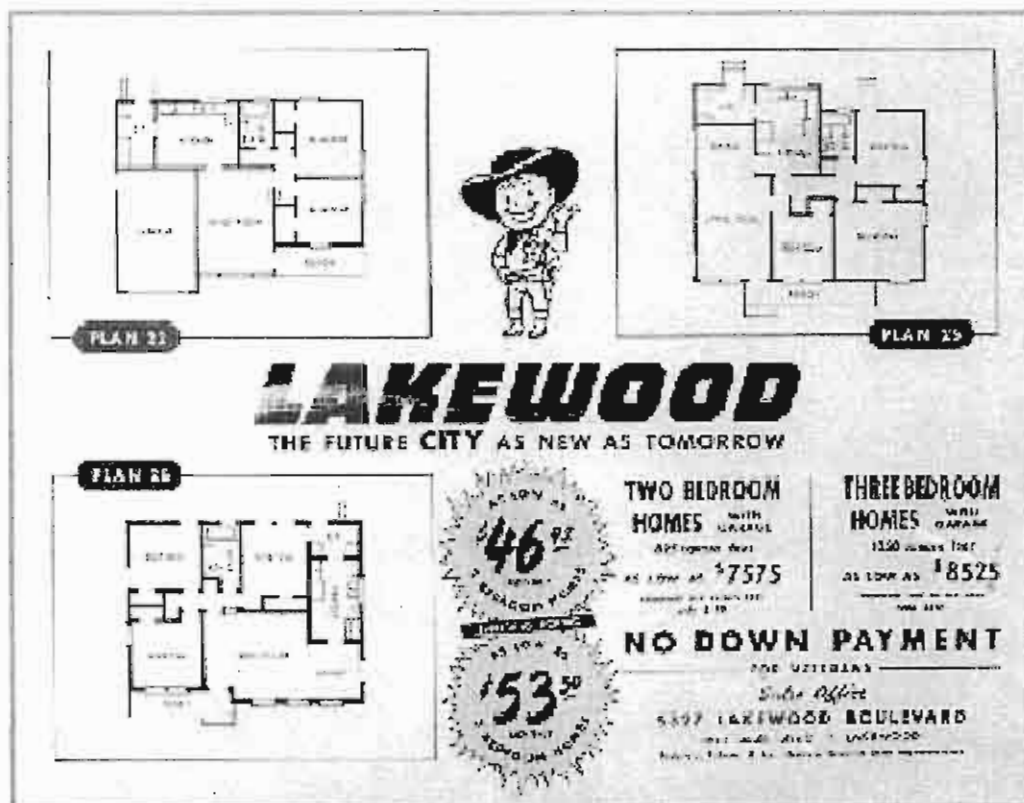


City of Lakewood • California



PLAN 22

PLAN 25

LAKEWOOD
THE FUTURE CITY AS NEW AS TOMORROW

PLAN 26

46
TWO BEDROOM HOMES WITH GARAGE
APPROXIMATE PRICE
AS LOW AS \$7575

53
THREE BEDROOM HOMES WITH GARAGE
APPROXIMATE PRICE
AS LOW AS \$8525

NO DOWN PAYMENT
FOR VETERANS
Sales Office
5597 LAKEWOOD BOULEVARD
LAKESIDE, CALIF. 92649



Comprehensive Annual Financial Report Year Ended June 30, 2003

THE CITY OF LAKEWOOD

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49 AND COUNTING

CITY OF LAKEWOOD
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2003

Prepared by
Department of Finance

Larry Schroeder
Director of Finance



CITY OF LAKEWOOD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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CITY OF LAKEWOOD
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Todd Rogers
Vice Mayor

Robert G. Wagner
Council Member



Joseph Esquivel
Mayor

Wayne E. Piercy
Council Member

Larry Van Nostran
Council Member

December 15, 2003

The Honorable Mayor and City Council
City of Lakewood
Lakewood, California

State law requires that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lakewood for the fiscal year ended June 30, 2003.

This report consists of management's representations concerning the finances of the City of Lakewood. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Lakewood has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Lakewood's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Lakewood's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Lakewood's financial statements have been audited by Diehl, Evans and Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lakewood for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lakewood's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Lakewood was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Lakewood's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is

Lakewood

designed to complement MD&A and should be read in conjunction with it. The City of Lakewood's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Lakewood, incorporated in 1954, is located in southern Los Angeles County, 20 miles south of the City of Los Angeles. Lakewood enjoys the benefits of the diversified economy of Southern California. The City is primarily a bedroom community providing housing for the Southern California subregion. The City of Lakewood occupies a land area of 9.5 square miles and serves a population of 82,300 as of January 1, 2003.

The City of Lakewood has operated under the council-manager form of government since its incorporation. The City of Lakewood is a "contract city," having been the first in the country to adopt this form of government. Policy-making and legislative authority are vested in a governing council consisting of five council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the city manager and city attorney. The city manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the governments, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year overlapping terms. The mayor is selected by the council from among its members and serves in that special capacity for a one-year-term.

The City of Lakewood provides a full range of services, including police protection, solid waste collection, construction and maintenance of highways, streets and infrastructure, planning and zoning activities, utilities (water), recreational activities, cultural events, and general administrative services. The City of Lakewood is a "contract" city, meaning that some of these services are provided by contract with other agencies (both public and private) and some services are delivered by the City's own employees. In addition to the services mentioned, the City provides services through three "component units": the Lakewood Redevelopment Agency, the Lakewood Housing Authority, and the Lakewood Public Financing Authority. Therefore, the activities of these component units are included in the reporting entity. Library services, fire protection services, and sewer services are provided by special districts of the County of Los Angeles. The City has excluded the County of Los Angeles as well as the State of California and various school districts because they do not meet the established criteria for inclusion.

The annual budget serves as the foundation for the City of Lakewood's financial planning and control. All departments of the City of Lakewood are required to submit requests for appropriation to the city manager for inclusion in the annual budget. The City manager uses these requests as the starting point for developing a proposed budget. The city manager then presents a proposed budget to the council for review prior to July 1. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Lakewood's fiscal year. The appropriated budget is prepared by fund, function (e.g., solid waste collection), and department (e.g., Public Works). The city manager may authorize transfers of appropriations within and between departments and between funds. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented in the required supplementary information subsection of this report. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report.

Major Initiatives

For Fiscal Year 2002-2003. The focus areas were identified in the operating budget. These priorities included intergovernmental relations, public safety, infrastructure improvements, economic development, park improvements, water, solid waste management, "storm water tax" impacts, Lakewood housing strategy, and technology planning and implementation.

The City's number one objective continued to be INTERGOVERNMENTAL RELATIONS. State interventions in areas that have been historically matters of municipal authority have accelerated in the past two years. State regulatory agencies have assumed new powers to micro-manage city programs and services. The state legislature has continued its two-decades-old grab of local revenues, including new efforts to redistribute and/or replace sales tax receipts among cities and counties. There were several proposals in Sacramento designed to bail out the State budget crisis by tapping local revenue sources including vehicle license "backfill" revenue. City council members and staff engaged our legislators and members of the Governor's staff in such areas as State budget impacts on local governments, proposed contracting out restrictions, and local land use authority to insure minimal impact on cities and our residents.

PUBLIC SAFETY services in Lakewood have changed dramatically in recent years. More deputies patrol City streets. More specialized crime suppression units patrol Lakewood Center. New crime prevention programs—including a special team for nuisance property abatement—assist neighborhood residents and property owners. New City ordinances regulate the operation of cyber cafés and other businesses that may contribute to nuisance behavior. And, the "Team Lakewood" approach will come into even greater focus when the City's law enforcement units are no longer deployed in the current two-city region. This tight focus on crime suppression and public safety continued in the 2002-2003 fiscal year with full funding for general law enforcement units to handle an estimated 31,000 calls for service annually. In fiscal year 2002-2003, the City upgraded traffic radar units; computers for crime analysis; expanded law enforcement in park patrol, residential, and school traffic control; and continued the City's support for renovation and expansion of the 44-year-old Lakewood Sheriff's Station. On October 5, 2002, the City of Lakewood opened the Community Safety Center at the Lakewood Mall. This Safety Center provides a larger Sheriff's presence at the Mall and a community meeting area for Lakewood organizations. The City added a new Administrative Assistant II position, whose time will be shared equally with the Sheriff's Department to further support crime prevention efforts.

The City will continue with a program of INFRASTRUCTURE IMPROVEMENTS with local street resurfacing and hardscape repair funded in the fiscal year 2002-2003 budget. New water mains totaling 5.6 miles were installed. Water service capacity was preserved with the construction of a new well at Palo Verde and Candlewood; the renovation of wells #2A, #4, and #10; and work on the City's water reservoir system. This was the fifth year of a program of residential street resurfacing. \$1.0 million was spent in local street resurfacing—a continual project due to the City's aging infrastructure. Lakewood has long made preservation and enhancement of its economic base a principal goal. It is extremely important to bolster Lakewood's local economy against the effects of surrounding regional shopping competition.

Lakewood's ECONOMIC DEVELOPMENT Committee has been encouraged by the opening of Kohl's department stores and Target in Lakewood. The committee meets regularly and works aggressively to maximize the potential of commercially zoned parcels.

A West San Gabriel River Recreation Area Project adjacent to the recently improved Monte Verde Park was funded in the fiscal year 2002-2003 budget. This project was funded through the State Water Bond Act of 2000 at \$1 million. This project provides a beautifully landscaped buffer along the river and a walking path.

In addition, City staff completed the design phase for the renovation of the park building and south restroom at Boyer Park with construction commencing in 2003-2004. The majority of these PARK IMPROVEMENTS will be funded through the City portion of the voter-approved Proposition 12 and Proposition 40 State Park Bond Act.

Preservation of abundant, clean, and relatively low-cost WATER is one of the City's principal goals. The City's focus on water quality and availability cuts across many divisional lines: water operations, intergovernmental relations, regulatory oversight, and finance. Because of this emphasis, the City continued in the 2002-2003 fiscal year to monitor the activities of the Water Replenishment District (WRD), replaced water mains southeast of Del Amo Boulevard and Palo Verde, and constructed and renovated water wells.

Lakewood continued to strive for success in maintaining its State-mandated goals as set by the California Integrated Waste Management Board. Solid waste goals were accomplished in the new fiscal year with the continued program, additional greenwaste dropoff events, support for household hazardous waste roundup activities, "e-waste" recycling of computer systems, and source reduction education for Lakewood residents. In addition, programs to increase diversion from businesses, multi-family and institutional generators were targeted, along with instituting a program requiring contractors to recycle their construction and demolition debris.

The City's SOLID WASTE MANAGEMENT contractor completed deployment of a new fleet of trash collection trucks in the 2002-2003 fiscal year.

'STORM WATER TAX' IMPACTS were felt by cities throughout the State. The State Water Resources Control Board, which oversees California's nine regional boards, turned down an initial appeal from Los Angeles County cities to modify a draconian "zero tolerance" rule for trash in the region's storm drains and flood control system. The new rule was adopted in December 2001 by the Los Angeles regional board and mirrors similar rules imposed in San Diego and Orange counties by their regional boards. The members of the Coalition for Practical Regulation, including Lakewood, appealed the regional board's trash TMDL (Total Maximum Daily Load) to the State board when the new regulation was adopted. The coalition had hoped to secure state board sympathy for the high cost of meeting the new TMDL limits. A series of reports showed that the cost of meeting all the TMDLs proposed by the regional board would top \$53 billion over the next ten years. Lakewood joined with other cities in both the Coalition for Practical Regulation and in the joint powers authority known as BEACON (Balancing Economic and Clean Ocean Needs) seeking storm water rules that are scientifically sound, cost effective, and technically feasible.

As mentioned before, one of the realities of a community that springs up overnight is that everything ages at the same rate. This is especially true of housing in Lakewood. In an effort to insure that housing is well maintained and available, a LAKEWOOD HOUSING STRATEGY was developed that will focus on various areas in the City. To assist in accomplishing this, a Neighborhood Preservation Manager was hired in fiscal year 2002-2003.

TECHNOLOGY PLANNING AND IMPLEMENTATION must continue to keep up with the demand of today's changing information-technology-driven society. Replacement of the vehicle maintenance, facility maintenance, work order, personnel, and building replacement systems will be added in fiscal year 2003-2004. In addition to hardware replacement, we will be looking at replacement of the City's 20-year-old Financial Management Information System within the next two to three years. This system encompasses the City's core financial systems, such as general ledger, accounts payable, payroll, and water and refuse billing.

For the future. In 2003-2004, a one-year budget was again adopted due to economic uncertainty, the threat of State takeaways, and the perilous state of world affairs. The priorities for the coming year are as follows:

The City's number one objective continues to be INTERGOVERNMENTAL RELATIONS. State interventions in areas that have been historically matters of municipal authority have accelerated in the past three years. State regulatory agencies have assumed new powers to micro-manage city programs and services. The state legislature is continuing its two-decades-old grab of local revenues, including new efforts to redistribute and or replace sales tax revenues among cities and counties. Actions like cutting the State vehicle license fee replacement revenue and a bond issue to cover the State budget deficit bond proposal using municipal sales tax revenue potentially threaten City revenues. City council members and staff will continue to engage our legislators and members of the Governor's staff to insure minimal impact on cities and our residents.

Only 6 percent of Lakewood is zoned for commercial development, and of this area, only 19.9 acres are currently vacant and available for new retail development. To compound matters, the land that is available has many challenges associated with it. It will be up to the city's ECONOMIC DEVELOPMENT Committee to set a course to encourage the use of these remaining parcels of land for the economic interests of Lakewood.

Providing well-maintained local streets for Lakewood residents will always be a local government priority. By reserving money in economically good years and wisely using Community Development Block Grant (CDBG) funds, Lakewood has been able to continue its program of local STREET MAINTENANCE at a steady pace.

Lakewood continues its commitment to excellent WATER QUALITY. Included in the 2003-2004 budget is engineering fees for a new water well and a treatment plant to remove hydrogen sulfide from Well #22. This well went into service in 1998. It produces approximately 2,500 gallons per minute and pumps directly into Plant #22, an adjacent storage facility. The well operates with a variable-speed pump, which is capable of pumping into the reservoir or into the distribution system. However, the presence of hydrogen sulfide in the water causes taste and odor problems. To remedy the water quality issues, the city funnels the water supply through the reservoir to provide chlorine contact time, which oxidizes hydrogen sulfide. A treatment plant at the site would remove the hydrogen sulfide and allow the city to increase production. The variable-speed pump could efficiently move the water directly into the distribution system or to storage, optimizing production.

In 2003-2004 plans began for the renovation of the Sheriff's station. This includes technology updates for dispatch and re-organized internal division space to increase response time to emergency calls. Outdated electrical and mechanical equipment would also be replaced. The funding for the PUBLIC SAFETY project will come predominately from the County of Los Angeles. The City of Lakewood will coordinate the actual construction project.

In 2002-2003, work began on the WEST SAN GABRIEL RIVER OPEN SPACE PROJECT adjacent to Monte Verde Park. This project was funded through the State Water Bond Act of 2000 at \$1 million. Completed in fiscal year 2003-2004, this project provides a beautifully landscaped buffer along the river and a walking path. These three acres create a passive open space experience with walking trails and connections to the existing bike trails. Funding was provided by grants through the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy.

The Lakewood city council and staff will continue to work with education experts from Management, Analysis and Planning Inc., to IMPROVE EDUCATION IN LAKEWOOD SCHOOLS. The focus will be on ways to achieve unification of the schools in the City of Lakewood through a long-term solution and transition process: recommend short-term improvements to neighborhood schools and their education delivery systems, and recommend ways to mitigate any observed inequality in educational opportunity and to ensure the adequacy of Lakewood schools compared to schools in similar communities. Contract, staff support, and soft costs for implementing these changes are included in this budget.

The Skyknight jet located atop the concrete pedestal in Del Valle Park is a community icon. It has been on the pedestal since 1963 and exposed to the elements for nearly 50 years. Although it has been repaired and painted by city crews on many occasions, it requires a complete renovation to preserve it for generations to come. The 2003-2004 budget calls for the exterior to be repaired and recoated.

Another PARK IMPROVEMENT included in the 2003-2004 budget is removal and replacement of the existing restroom building on the south side of Mae Boyer Park. The new restroom building will be ADA accessible and include a storage facility for the park utility vehicle. The A-frame picnic shelter and tot lot shelter will be removed and replaced with Polygon craftsman-style, low-maintenance structures. Also, trash receptacles and a drinking fountain will be replaced, two bleacher pads added, the roof of the existing activity building will be repaired, and portions of the chain-link fence around the park will be replaced.

Several INFORMATION TECHNOLOGY (IT) UPGRADES are planned for 2003-2004 to insure its continued efficient functioning. They include an upgrade to the LaserFiche System, which is used for records storage and retrieval, implementation of several e-Government initiatives, and implementation of year one of the Strategic Information Technology Plan revised May 2003.

The City is also exploring the replacement of its Financial Management Information System (FMIS). This system is now 21 years old and is written in a now seldom used programming code called PIC. FMIS includes general ledger, payroll, accounts payable, and a host of other core programs.

On April 16, 2004, the City of Lakewood will celebrate its 50th ANNIVERSARY of incorporation. The year will be marked by several special events, including a series of community "open houses" during the City's 2004 anniversary year.

Factor Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Lakewood operates.

Local economy. The City of Lakewood currently faces economic uncertainty due to the State Legislature's refusal to backfill cities for the revenue previously received from the recently repealed vehicle license fee. The State Legislature will also take one-fourth of Lakewood's sales tax revenue as a funding source for a \$15 billion bond measure which will appear on the March ballot. If the State would not engage in take-aways of these traditional municipal revenues, including property taxes, Lakewood would not be facing cuts in local services including law enforcement, recreation services, and local street paving.

The economic base of the City is primarily commercial/retail. Almost 2,400 businesses are located in Lakewood and generated approximately \$898 million in taxable sales in fiscal year 2002-2003. Lakewood Center Mall, a regional shopping center, ranks among the top five Southern California shopping centers and contributes approximately 37 percent of the retail sales in the City.

Long-term financial planning. Capital improvements are considered apart from the operating budget of the city. Capital improvement projects typically involve large outlays and cover multiple years. The Legacy Capital Improvement Plan is the City of Lakewood's five-year capital improvement plan. It is updated every two years.

Cash management policies and practices. Cash temporarily idle during the year was invested in government agencies and the States Local Agency Investment Fund (LAIF). The maturities of the investments range from one to three years, with an average maturity of 22 months. The average yield on investments was 4.27 percent. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Risk management. The City of Lakewood is a member of the California Joint Powers Insurance Authority (CJPIA). With 107 city and public entity members, it is the largest joint powers insurance authority in California. Through the CJPIA, the City is self-insured against liability and workers' compensation claims. As protection against catastrophic loss, members fund a pool to finance large settlements. During 2002-2003, Lakewood continues its proactive liability risk management role through careful monitoring of losses, working closely with the CJPIA's third-party claims adjuster, and designing and implementing programs to minimize risks and reduce losses. In addition, The City's Safety Committee analyzes workers' compensation issues by monitoring work conditions and organizing and implementing safety training programs to reduce employee exposure to hazards. Additional information of the City of Lakewood's risk management activity can be found in Note 10 of the notes to the basic financial statements.

Pension and other post employment benefits. The City of Lakewood is a member of the Public Employees Retirement System (PERS) which is a defined benefit plan covering all full-time and some part-time employees. The City of Lakewood is also a member of the Public Agency Retirement System (PARS) which is a defined contribution plan covering part-time employees who work less than 1,000 hours per year. The City does not pay Social Security. The City of Lakewood also offers two 457 deferred compensation plans and a 401(a) deferred compensation plan, to

which the City does not contribute. The City provides limited supplemental payment for post retirement health care benefits for full-time employees who have completed 20 years of service and have reached the age of 55 or who have completed 15 years and reached the age of 60, and who are retiring under the PERS.

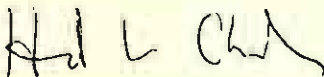
Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakewood for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. This was the 22 consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The California Society of Municipal Finance Officers awarded a Certificate of Award for Outstanding Financial Reporting to the City of Lakewood for its CAFR for the fiscal year ended June 30, 2002. The certificate is issued in recognition of meeting professional standards and criteria in reporting, which reflect a high level of quality in the annual financial statements.

Preparation of this report was accomplished by the combined efforts of the Finance Department staff. We appreciate the high level of professionalism and dedication that these staff members bring to the City. The contributions made by Carol Moon, Senior Accountant; Pamala Lau, Assistant Accountant; Ronnie Campbell, Assistant Director of Finance; Patsy Uyematsu, Administrative Secretary; and Doug Butler, Deputy Treasurer, deserve special recognition. We would also like to thank the members of the City Council for their interest and support in the development of this report.

Respectfully submitted,

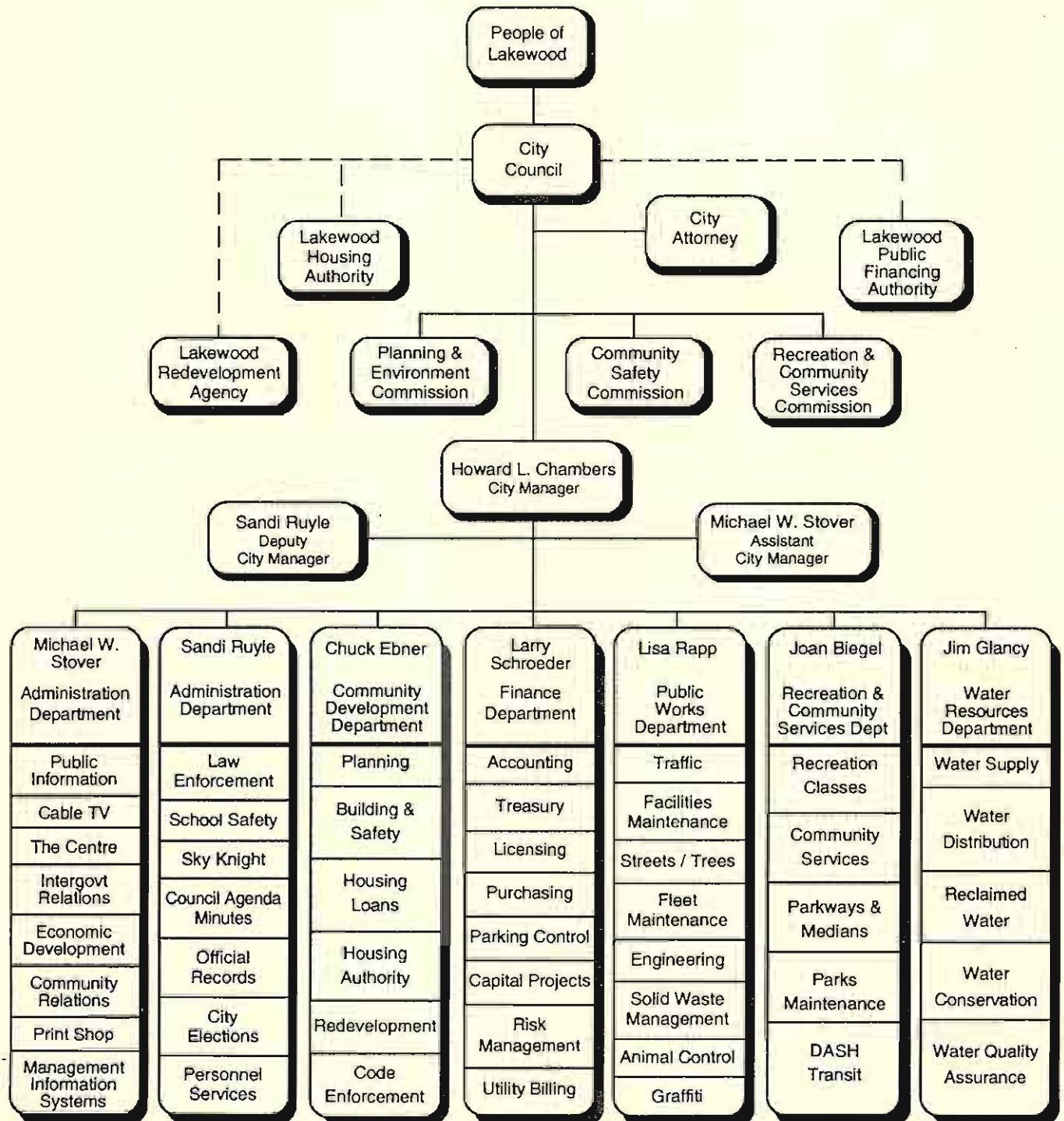


Howard L. Chambers
City Manager



Larry Schroeder
Director of Finance

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CITY COUNCIL

JOSEPH ESQUIVEL
Mayor

TODD ROGERS
Vice Mayor

WAYNE E. PIERCY
Council Member

LARRY VAN NOSTRAN
Council Member

ROBERT G. WAGNER
Council Member

ADMINISTRATION AND DEPARTMENT DIRECTORS

HOWARD L. CHAMBERS
City Manager

JOHN S. TODD
City Attorney

MICHAEL W. STOVER
Assistant City Manager

LARRY SCHROEDER
Director of Finance

SANDRA L. RUYLE
Deputy City Manager

LISA A. RAPP
Director of Public Works

JOAN BIEGEL
Director of Recreation
and Community Services

CHARLES K. EBNER
Director of Community
Development

JAMES B. GLANCY
Director of Water Resources

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lakewood,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, reading "William Patrick Harte".

President

A handwritten signature in black ink, reading "Jeffrey R. Enos".

Executive Director

California Society of
Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2001-2002

Presented to the

City of Lakewood



*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2003

Bret M. Plimlee

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



DIEHL, EVANS & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

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• PHILIP H. HOLTAMT, CPA
• THOMAS M. PERLOWSKI, CPA
• HARVEY J. SCHROEDER, CPA
• A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

City Council
City of Lakewood
Lakewood, California

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, California, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lakewood's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, California, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the accompanying financial statements reflect certain changes in the presentation of financial data required as a result of the Implementation of GASB Statement No. 34 for the year ended June 30, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2003 on our consideration of the City of Lakewood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lakewood's basic financial statements. The introductory section, supplementary information section and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diehl, Evans and Company, LLP

November 6, 2003 (except for information in Note 16, as to which the date is November 18, 2003).

JUNE 30, 2003

As management of the City of Lakewood, California, (City) we offer readers of the City of Lakewood's financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

The reader should note that this is the first year the City of Lakewood has been required to implement the Governmental Accounting Standard Board (GASB) Statement 34 which, among other things, considers in the financial statements the value of all infrastructure assets such as value of streets for the first time. The presentation of the Comprehensive Annual Financial Report (CAFR) will appear different to the reader this year due to the changes mandated by GASB.

Financial Highlights

- The assets of the City exceeded its liabilities at June 30, 2003, by \$120,494,451 (*net assets*). Of this amount, \$27,982,198 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors but is subject to designation for specific programs.
- The government's total net assets increased by \$3,420,266 during the fiscal year ended June 30, 2003. Approximately 80% of this increase is attributable to an increase of revenues related to sales tax, property tax, utility users and motor vehicle in lieu taxes.
- As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$40,359,617, an increase of \$647,470 in comparison with the prior year. Approximately 27% of this total amount, \$10,746,289, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of June 30, 2003, unreserved fund balance of the general fund was \$26,954,935 or 85% of total general fund expenditures.
- The City of Lakewood's total debt (non-current liabilities) decreased by \$819,857, approximately (4%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lakewood's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City of Lakewood's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lakewood is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lakewood that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lakewood include general government, public safety, transportation, community development, economic development, and culture and leisure.

See independent auditors' report.

Government-wide financial statements (Continued).

The government-wide financial statements include not only the City of Lakewood, itself, but also three component units: the Lakewood Redevelopment Agency, the Lakewood Housing Authority, and the Lakewood Public Financing Authority. Financial information for these component units is reported within the funds of the City. The Water Utility, although also legally separate, functions for all practical purposes as a department of the City of Lakewood, and therefore has been included as an integral part of the government.

The government-wide financial statements can be found on pages 13 - 15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lakewood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lakewood can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances on spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental fund* and *governmental activities*.

The City of Lakewood maintains eleven governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, both of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lakewood adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16 - 17 and 20 - 21 of this report.

Proprietary funds. The City of Lakewood maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lakewood uses enterprise funds to account for its Water Utility operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Lakewood's various functions. The City of Lakewood uses internal service funds to account for its central stores, central garage, and print shop operations. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility operations. The Internal Service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 23 - 27 of this report.

Fund financial statements (Continued)

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Lakewood's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statement can be found on page 28 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 - 52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Lakewood's general fund budgetary comparison schedule. Required supplementary information can be found on page 54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental fund and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 55 - 76 of this report.

Government-wide Financial Analysis

In accordance with GASB Statement No. 34, the City is not required to restate financial information from prior periods for the purpose of providing comparative information for this analysis. In future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lakewood, assets exceeded liabilities by \$120,494,451 at the close of the most recent fiscal year.

City of Lakewood's Net Assets

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Current and other assets	\$ 55,305,982	\$ 5,871,307	\$ 60,977,289
Capital assets	76,305,577	16,703,444	93,009,021
Total Assets	<u>131,611,559</u>	<u>22,374,751</u>	<u>153,986,310</u>
Long-term liabilities outstanding	15,308,697	4,499,087	19,807,784
Other liabilities	5,117,316	938,649	6,055,965
Total Liabilities	<u>20,426,013</u>	<u>5,437,736</u>	<u>25,863,749</u>
Net assets:			
Invested in Capital Assets			
Net of Related Debt	76,305,577	11,892,836	88,198,413
Restricted	11,941,950	-	11,941,950
Unrestricted	22,938,019	5,044,179	27,982,198
Total Net Assets	<u>\$ 111,185,546</u>	<u>\$ 16,937,015</u>	<u>\$ 128,122,561</u>

By far the largest portion of the City of Lakewood's net assets (67%) reflects its investment in capital assets (i.e. land, buildings, infrastructure, machinery and equipment). The City of Lakewood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lakewood's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Lakewood's net assets (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$27,982,198) may be used to meet the government's ongoing obligation to citizens and creditors.

See independent auditors' report.

Government-wide Financial Analysis (Continued)

At the end of the current fiscal year, the City of Lakewood is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. At year-end, there was 70% of the City of Lakewood's business-type activities' net assets invested in capital assets.

The government's net assets increased by \$3,420,266 during the current fiscal year. As mentioned, approximately 80% of this increase is attributable to an increase of revenues related to sales tax, property tax, franchise, utility users and motor vehicle in lieu taxes.

Governmental activities. Governmental activities increased the City of Lakewood's net assets by \$2,456,533, thereby accounting for 72% of the total increase in net assets of the City of Lakewood. Key elements of this increase are as follows:

	Governmental Activities 2003	Business-type Activities 2003	Total 2003
Revenues:			
Program revenues:			
Charges for services	\$ 7,987,046	\$ 6,253,078	\$ 14,240,126
Operating grants and contributions	7,644,969	-	7,644,969
Capital grants and contributions	2,228,851	-	2,228,851
General revenues:			
Property taxes	6,850,543	-	6,850,543
Other taxes	20,243,580	-	20,243,580
Grants and contributions not restricted to specific programs	626,465	-	626,465
Other	2,673,311	146,021	2,819,332
Total Revenues	47,981,197	6,399,100	54,380,297
Expenses:			
General government	6,483,576	-	6,483,576
Public safety	9,642,511	-	9,642,511
Transportation	5,984,110	-	5,984,110
Community development	6,686,063	-	6,686,063
Health and sanitation	4,130,482	-	4,130,482
Culture and leisure	8,318,769	-	8,318,769
Unallocated infrastructure depreciation	1,518,198	-	1,518,198
Interest on long-term debt	2,553,185	-	2,553,185
Water	-	5,435,876	5,435,876
Total expenses	45,527,694	5,435,876	50,963,570
Increase in net assets	2,456,533	963,224	3,420,266
Net assets - 6/30/02	108,729,013	15,971,287	124,700,299
Net assets - 6/30/03	\$ 111,185,546	\$ 16,934,511	\$ 128,120,057

- Sales tax increased by almost \$800,000 during the fiscal year. This is due mainly to an 8.3% increase in sales tax receipts being driven by increased auto sales, the new Kohl's, and a strong economy.
- Property taxes increased by \$579,000 during the fiscal year. Most of this is being driven by low interest rates sparking home sales.
- Utility users taxes increased by \$118,000 during the fiscal year. The largest increase was in UUT collected from telephone providers located within the boundaries of the City of Lakewood.
- Operating grants for governmental activities in fiscal year 02-03 totaled \$1,227,225. These grants (CLEET's, State Park Bond Act 2666, and State Resources Agency River Parkway Grant) provided resources to support City of Lakewood's functions within public safety and culture and recreation.

Business-type activities. Business-type activities increased the City of Lakewood's net assets by \$963,224, accounting for 28% of the total increase in net assets. Most of this increase is attributable to the construction of a new water well #13A.

Financial Analysis of the Government's Funds

As noted earlier, the City of Lakewood uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Lakewood's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Lakewood's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Lakewood's governmental fund reported combined ending fund balances of \$40,359,617, an increase of \$647,470 in comparison with the prior year. Approximately 27% of this amount (\$10,746,289) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchasers of the prior period (\$875,993), 2) to pay debt service (\$1,669,022), 3) for a variety of other restricted purposes (\$27,068,313).

The general fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$26,954,935, while total fund balance reached \$47,331,274. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 85% of the total general fund expenditure, while total fund balance represents 149% of that same amount.

The fund balance of the City of Lakewood's general fund increased by \$1,299,990 during the current fiscal year. Key factors in this increase are as follows:

- Fiscal year 02-03 sales tax receipts were 8.3% higher than the previous year, being driven by increased auto sales, the New Kohl's, and a stronger local economy.
- Increase in property tax receipts is being driven by low interest rates sparking home sales.
- Increase in MVIL receipts due primarily to a change in accrual.

Proprietary funds. The City of Lakewood's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Enterprise at the end of the year amounted to \$5,129,416. The total growth in net assets was \$1,048,970. Other factors concerning the finance of this fund have already been addressed in the discussion of the City of Lakewood's business-type activities.

General Fund Budgetary Highlights

Differences between the general fund original budget and the final amended budget were approximately \$742,000 and can be briefly summarized as follows:

- A \$525,000 increase in public safety for federal and state law enforcement grants.
- A \$96,000 increase in health and sanitation reflects the inclusion of the Litter Reduction and Used Oil Grants.
- A \$129,000 increase in culture and leisure for completion of capital projects (i.e. renovation of playground equipment, electrical infrastructure improvements and facility lighting).

Capital Asset and Debt Administration

Capital assets. The City of Lakewood's investment in capital assets for its governmental and business type activities as of June 30, 2003, amounts to \$85,380,911 (net of accumulated depreciation). This investment in capital assets includes land, building and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital assets events during the fiscal year included the following:

- Initiation of Phase #1 of the West San Gabriel River Project - \$1,225,900
- Construction of a new water well #13A - \$757,420
- Replacement of broken / non-repairable machinery and equipment - \$507,423
- Replacement of park/play area equipment - \$324,085

City of Lakewood
Capital Assets (Net of depreciation)

	Governmental Activities 2003	Business-type Activities 2003	Total 2003
Land	\$ 18,394,023	\$ 381,023	\$ 18,775,046
Construction in progress	3,565,164	1,064,110	4,629,274
Water rights	-	1,791,836	1,791,836
Infrastructure	32,852,061	-	32,852,061
Structures and improvements	19,511,256	12,916,294	32,427,550
Equipment	1,983,073	550,181	2,533,254
Total	<u>\$ 76,305,577</u>	<u>\$ 16,703,444</u>	<u>\$ 93,009,021</u>

Additional information on the City of Lakewood's capital assets can be found in note 3 to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the City of Lakewood had total long-term debt outstanding of \$20,669,305. Most of this debt (79%) is backed by the full faith and credit of the government is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Lakewood's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Lakewood
Summary of outstanding debt

	Governmental Activities 2003	Business-type Activities 2003	Total 2003
Tax allocation bonds	\$ 15,858,697	\$ -	\$ 15,858,697
Reclaimed water loan	-	277,619	277,619
Revenue bonds	-	4,532,989	4,532,989
Total	<u>\$ 15,858,697</u>	<u>\$ 4,810,608</u>	<u>\$ 20,669,305</u>

Additional information on the City of Lakewood's long-term debt can be found in note 4 to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Los Angeles County, of which the City of Lakewood is a part, is currently 6.5%, (*November 2003*) which is an increase from a rate of 6.3% a year ago. This compares unfavorably to the state's average unemployment rate of 6.3% and the national average rate of 5.6%.
- The economic base of Lakewood is primarily commercial/retail. Almost 2,400 businesses (including home occupations) are located in Lakewood.

These factors were considered in preparing the City of Lakewood's budget for the fiscal year 03-04 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$26,954,935. The City of Lakewood has appropriated \$14,668 of this amount for spending in the fiscal year 03-04 fiscal year budget. This carryover funds from fiscal year 02-03 were used to fund a portion of the capital projects planned in fiscal year 03-04.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Lakewood, Post Office Box 220, Lakewood, CA 90714-0220.

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BASIC FINANCIAL STATEMENTS

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CITY OF LAKEWOOD

STATEMENT OF NET ASSETS

June 30, 2003

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 44,108,923	\$ 4,546,134	\$ 48,655,057
Receivables:			
Taxes	2,261,327	-	2,261,327
Accounts	4,506,797	402,781	4,909,578
Loans	1,953,707	-	1,953,707
Accrued revenue	225,497	540,292	765,789
Internal balances	85,237	(85,237)	-
Prepaid items	3,000	9,417	12,417
Inventories	107,625	68,156	175,781
Land held for resale	384,847	-	384,847
Temporarily restricted assets:			
Cash and investments	-	42,496	42,496
Cash and investments with fiscal agent	1,669,022	168	1,669,190
Bond issue costs, net of accumulated amortization	-	147,100	147,100
Capital assets:			
Land	18,394,023	381,023	18,775,046
Water rights	-	1,791,836	1,791,836
Construction in progress	3,565,164	1,064,110	4,629,274
Depreciable infrastructure, net	32,852,061	-	32,852,061
Depreciable structures and improvements, net	19,511,256	12,916,294	32,427,550
Depreciable equipment, net	1,983,073	550,181	2,533,254
TOTAL ASSETS	<u>131,611,559</u>	<u>22,374,751</u>	<u>153,986,310</u>
LIABILITIES:			
Accounts payable and other current liabilities	3,790,239	522,949	4,313,188
Accrued interest payable	304,918	61,683	366,601
Unearned revenue	472,159	-	472,159
Liabilities payable from restricted assets	-	42,496	42,496
Noncurrent liabilities:			
Due within one year	1,025,416	311,521	1,336,937
Due in more than one year	14,833,281	4,499,087	19,332,368
TOTAL LIABILITIES	<u>20,426,013</u>	<u>5,437,736</u>	<u>25,863,749</u>
NET ASSETS:			
Invested in capital assets, net of related debt	76,305,577	11,892,836	88,198,413
Restricted for:			
Debt service	1,364,104	-	1,364,104
Transportation	3,841,202	-	3,841,202
Community development	5,917,999	-	5,917,999
Other purposes	818,645	-	818,645
Unrestricted	22,938,019	5,044,179	27,982,198
TOTAL NET ASSETS	<u>\$ 111,185,546</u>	<u>\$ 16,937,015</u>	<u>\$ 128,122,561</u>

See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD

STATEMENT OF ACTIVITIES

For the year ended June 30, 2003

Functions/programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 6,483,636	\$ 53,855	\$ 149,417	\$ -
Public safety	9,642,211	1,722,616	539,366	-
Transportation	5,984,110	-	4,223,424	678,896
Community development	6,886,063	1,065,511	1,897,663	-
Health and sanitation	4,130,482	3,755,914	79,714	-
Culture and Leisure	8,318,769	1,389,452	155,375	1,549,985
Unallocated infrastructure depreciation	1,519,198	-	-	-
Interest on long term debt	2,563,185	-	-	-
Total governmental activities	45,527,654	7,987,348	7,044,959	2,228,881
Business-type activity:				
Water	5,435,676	6,253,378	-	-
Total	\$ 50,963,330	\$ 14,240,726	\$ 7,044,959	\$ 2,228,881

General revenues:

Taxes:

Sales taxes

Property taxes

Franchise taxes

Business operation taxes

Utility users taxes

Motor vehicle taxes

Other taxes

Total taxes

Grants and contributions not restricted to specific programs

Investment income, rents and concessions

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (6,280,364)	\$ -	\$ (6,280,364)
(7,380,229)	-	(7,380,229)
(1,081,790)	-	(1,081,790)
(3,922,889)	-	(3,922,889)
(294,854)	-	(294,854)
(5,223,957)	-	(5,223,957)
(1,519,198)	-	(1,519,198)
(2,563,185)	-	(2,563,185)
<u>(28,266,466)</u>	<u>-</u>	<u>(28,266,466)</u>
<u>-</u>	<u>817,702</u>	<u>817,702</u>
<u>(28,266,466)</u>	<u>817,702</u>	<u>(27,448,764)</u>
10,357,711	-	10,357,711
6,850,543	-	6,850,543
1,045,746	-	1,045,746
501,266	-	501,266
2,589,173	-	2,589,173
5,476,123	-	5,476,123
273,571	-	273,571
27,094,133	-	27,094,133
655,455	-	655,455
2,973,411	146,031	3,119,442
<u>30,722,999</u>	<u>146,031</u>	<u>30,869,030</u>
2,456,533	963,733	3,420,266
<u>108,729,013</u>	<u>15,973,282</u>	<u>124,702,295</u>
<u>\$ 111,185,546</u>	<u>\$ 16,937,015</u>	<u>\$ 128,122,561</u>

CITY OF LAKEWOOD

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2003

	General Fund	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund
ASSETS			
Cash and investments	\$ 30,204,797	\$ 5,927,001	\$ 1,158,561
Cash and investments with fiscal agent	-	1,669,022	-
Taxes receivable	2,115,112	146,215	-
Accounts receivable	3,955,305	-	-
Loans receivable	231,849	-	1,481,858
Accrued revenue	206,572	18,925	-
Prepaid items	-	-	3,000
Due from other funds	76,608	-	2,604,618
Advances to other funds	22,379,846	-	-
Land held for resale	-	-	384,847
TOTAL ASSETS	\$ 59,170,089	\$ 7,761,163	\$ 5,632,884
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 1,988,122	\$ 530,259	\$ 58,756
Accrued liabilities	266,775	-	-
Due to other funds	390,175	-	-
Deferred revenue	9,193,743	-	1,481,858
Advances from other funds	-	22,379,846	-
TOTAL LIABILITIES	11,838,815	22,910,105	1,540,614
FUND BALANCES (DEFICIT):			
Reserved:			
Encumbrances	623,425	-	20,175
Continuing appropriations	636,862	-	-
Personnel benefits	3,354,957	-	-
Debt service	-	1,669,022	-
Land held for resale	-	-	384,847
Low and moderate housing	-	-	3,811,268
Prepaid items	-	-	3,000
Advances	15,247,981	-	-
Special revenue purposes	-	-	-
Other reserves	513,114	-	-
Unreserved, reported in:			
General fund	26,954,935	-	-
Debt service	-	(16,817,964)	-
Capital projects fund	-	-	(127,020)
TOTAL FUND BALANCES (DEFICIT)	47,331,274	(15,148,942)	4,092,270
TOTAL LIABILITIES AND FUND BALANCES	\$ 59,170,089	\$ 7,761,163	\$ 5,632,884

See independent auditors' report and notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 6,781,557	\$ 44,071,916
-	1,669,022
-	2,261,327
551,492	4,506,797
240,000	1,953,707
-	225,497
-	3,000
390,175	3,071,401
-	22,379,846
-	384,847
<u>\$ 7,963,224</u>	<u>\$ 80,527,360</u>

\$ 902,809	\$ 3,479,946
28,136	294,911
2,604,618	2,994,793
342,646	11,018,247
-	22,379,846
<u>3,878,209</u>	<u>40,167,743</u>

232,393	875,993
1,529,451	2,166,313
-	3,354,957
-	1,669,022
-	384,847
-	3,811,268
-	3,000
-	15,247,981
2,323,171	2,323,171
-	513,114
-	26,954,935
-	(16,817,964)
-	(127,020)
<u>4,085,015</u>	<u>40,359,617</u>
<u>\$ 7,963,224</u>	<u>\$ 80,527,360</u>

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CITY OF LAKEWOOD

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

For the year ended June 30, 2003

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 40,359,617
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	\$ 18,394,023	
Construction in progress	3,565,164	
Infrastructure net of \$75,420,219 accumulated depreciation	32,852,061	
Structures and improvements, net of \$ 12,559,204 accumulated depreciation	19,511,256	
Equipment, net of \$ 6,629,741 accumulated depreciation	1,609,149	
		75,931,653

Some of the City's receivables for loans, operating and capital grant reimbursements, taxes and investment income will be collected after year end, but are not available soon enough to pay for current-period expenditures, and therefore are reported as deferred revenues in the funds. Balances at June 30, 2003 are:

10,546,088

Internal service funds are used by the City to charge the cost of materials and supplies, maintenance and repair of vehicles and equipment and printing services provided to the various departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net activities. Internal Service funds net assets are:

511,803

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the Statement of Net Assets. Balances at June 30, 2003 are:

Accrued interest on bonds		(304,918)
Tax allocation bonds	\$ 14,880,000	
Compensated absences	978,697	
		(15,858,697)

Net assets of governmental activities	\$ 111,185,546
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See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2003

	General	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund
REVENUES:			
Taxes	\$ 17,494,105	\$ 4,341,341	\$ -
Licenses and permits	659,201	-	-
Fines and forfeitures	612,967	-	-
Investment income, rents and concessions	2,407,121	193,173	112,346
From other agencies	6,278,138	-	-
Current service charges	6,069,882	-	-
Other	756,102	-	201,226
TOTAL REVENUES	<u>34,277,516</u>	<u>4,534,514</u>	<u>313,572</u>
EXPENDITURES:			
Current:			
General government	5,983,811	-	-
Public safety	9,570,375	-	-
Transportation	2,845,592	-	-
Community development	3,056,170	-	-
Health and sanitation	4,147,217	-	-
Culture and leisure	6,191,415	-	-
Capital outlay:			
General government	-	162,127	-
Public safety	-	-	25,088
Transportation	-	-	-
Community development	-	-	534,184
Culture and leisure	-	-	-
Debt service:			
Owner participation agreement payments	-	533,023	-
Principal retirement	-	500,000	-
Interest and fiscal charges	-	2,572,497	-
TOTAL EXPENDITURES	<u>31,794,580</u>	<u>3,767,647</u>	<u>559,272</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,482,936</u>	<u>766,867</u>	<u>(245,700)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,609,988	-	2,504,965
Transfers out	(2,792,934)	(2,504,965)	(1,636,423)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,182,946)</u>	<u>(2,504,965)</u>	<u>868,542</u>
NET CHANGE IN FUND BALANCES	<u>1,299,990</u>	<u>(1,738,098)</u>	<u>622,842</u>
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED	<u>46,031,284</u>	<u>(13,410,844)</u>	<u>3,469,428</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 47,331,274</u>	<u>\$ (15,148,942)</u>	<u>\$ 4,092,270</u>

See independent auditors' report and notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,969,654	\$ 23,805,100
-	659,201
-	612,967
163,900	2,876,540
5,265,727	11,543,865
-	6,069,882
56,412	1,013,740
<u>7,455,693</u>	<u>46,581,295</u>
-	5,983,811
-	9,570,375
765,145	3,610,737
3,216,721	6,272,891
-	4,147,217
14,494	6,205,909
26,150	188,277
88,215	113,303
3,445,983	3,445,983
-	534,184
1,833,116	1,833,116
-	533,023
-	500,000
-	2,572,497
<u>9,389,824</u>	<u>45,511,323</u>
<u>(1,934,131)</u>	<u>1,069,972</u>
5,224,768	9,339,721
(2,827,901)	(9,762,223)
<u>2,396,867</u>	<u>(422,502)</u>
462,736	647,470
3,622,279	39,712,147
<u>\$ 4,085,015</u>	<u>\$ 40,359,617</u>

CITY OF LAKEWOOD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2003

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 647,470
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation (\$2,644,430) exceeded capital expense (\$2,017,524) the current period.	(626,906)
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Governmental funds report long-term rehabilitation and business loans made as expenditures and repayments of those loans as revenues. However, these transactions have no effect in the statement of activities. The loan activity for the current period is as follows:

Total amount of loans made	\$ 501,000	
Total amount of loans repaid	(199,628)	
	<hr/>	301,372

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amounts that affect the current period are as follows:

Principal repayment on tax allocation bonds	\$ 500,000	
Change in accrued interest payable	9,312	
	<hr/>	509,312

Certain accrued revenues such as taxes, interest, grants, and sanitation service charges, do not provide current financial resources and therefore, are not reported in the governmental funds as revenues. This is the amount of the net change in these accrued revenue amounts during the current period.

1,602,520

Internal service funds are used by management to charge the costs of certain activities, such as fleet repair and maintenance, central stores and printing services to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities.

22,765

Change in net assets of governmental activities	<hr/> <hr/> \$ 2,456,533
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See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2003

	Business-type Activity- Water Enterprise Fund		Governmental Activities- Internal Service Funds
	Current Year	Prior Year	
ASSETS			
CURRENT ASSETS:			
Cash and investments	\$ 4,546,134	\$ 4,207,223	\$ 37,007
Accounts receivable	402,781	429,984	-
Accrued revenue receivable	540,292	693,637	-
Prepaid items	9,417	-	-
Inventory	68,156	69,021	107,625
TOTAL CURRENT ASSETS	5,566,780	5,399,865	144,632
NONCURRENT ASSETS:			
Restricted cash - customer deposits	42,496	36,604	-
Restricted cash and investments with revenue bond fiscal agent	168	72	-
Bond issuance costs, net of accumulated amortization	147,100	158,637	-
Capital assets:			
Land	381,023	381,023	-
Water rights	1,791,836	1,551,836	-
Source of supply	2,313,195	2,313,195	-
Pumping plant	542,917	532,404	-
Water treatment	94,881	85,699	-
Transmission/distribution	20,443,294	20,375,567	-
General plant	3,034,477	3,028,792	-
Equipment	-	-	1,336,973
Construction in progress	1,064,110	6,815	-
Less: accumulated depreciation	(12,962,289)	(12,205,324)	(963,049)
Total capital assets (net of accumulated depreciation)	16,703,444	16,070,007	373,924
TOTAL NONCURRENT ASSETS	16,893,208	16,265,320	373,924
TOTAL ASSETS	22,459,988	21,665,185	518,556

(Continued)

See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
(CONTINUED)

June 30, 2003

	Business-type Activity - Water Enterprise Fund		Governmental Activities- Internal Service Funds
	Current Year	Prior Year	
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable and compensated absences payable	\$ 522,949	\$ 482,216	\$ 5,900
Accrued liabilities	-	-	9,482
Due to the General Fund	-	-	76,608
Accrued revenue bond interest	61,683	64,469	-
Current portion of revenue bonds	255,000	245,000	-
Current portion of reclaimed water loan	56,521	54,340	-
TOTAL CURRENT LIABILITIES	896,153	846,025	91,990
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:			
Customer deposits	42,496	36,604	-
NONCURRENT LIABILITIES:			
Reclaimed water loan	221,098	277,619	-
Revenue bonds	4,277,989	4,531,655	-
TOTAL NONCURRENT LIABILITIES	4,499,087	4,809,274	-
TOTAL LIABILITIES	5,437,736	5,691,903	91,990
NET ASSETS			
Invested in capital assets, net of related debt	11,892,836	10,961,393	373,924
Unrestricted	5,129,416	5,011,889	52,642
TOTAL NET ASSETS	17,022,252	\$ 15,973,282	\$ 426,566
Adjustment to reflect the consolidation of internal service fund activities related to the water enterprise fund	(85,237)		
Net assets of business-type activity	\$ 16,937,015		

See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the year ended June 30, 2003

	Business-type Activity - Water Enterprise Fund		Governmental Activities- Internal Service Funds
	Current Year	Prior Year	
OPERATING REVENUES:			
Metered water sales	\$ 5,807,740	\$ 5,693,261	\$ -
Reclaimed water sales	168,866	198,402	-
Fire protection	22,102	22,342	-
Service initiation and restoration charges	31,875	32,885	-
Installation charges	400	531	-
Billings to departments	-	-	676,548
Other revenues	222,395	116,303	24,233
TOTAL OPERATING REVENUES	<u>6,253,378</u>	<u>6,063,724</u>	<u>700,781</u>
OPERATING EXPENSES:			
Operations:			
Supply, transmission and distribution	3,432,422	3,413,757	-
Customer service	494,030	417,478	-
Administration	351,741	349,088	-
Cost of goods sold	-	-	1,031,634
Depreciation	757,543	721,058	154,121
TOTAL OPERATING EXPENSES	<u>5,035,736</u>	<u>4,901,381</u>	<u>1,185,755</u>
OPERATING INCOME (LOSS)	<u>1,217,642</u>	<u>1,162,343</u>	<u>(484,974)</u>
NONOPERATING REVENUES (EXPENSES):			
Sales of pumping rights	-	167,217	-
Investment income	146,031	160,318	-
Interest expense on long-term debt	(268,411)	(280,873)	-
Amortization of bond issuance costs	(12,871)	(12,871)	-
Loss on disposal of assets	(33,421)	(14,759)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(168,672)</u>	<u>19,032</u>	<u>-</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,048,970</u>	<u>1,181,375</u>	<u>(484,974)</u>
TRANSFERS IN	<u>-</u>	<u>-</u>	<u>422,502</u>
CHANGE IN NET ASSETS	<u>1,048,970</u>	<u>1,181,375</u>	<u>(62,472)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>15,973,282</u>	<u>14,791,907</u>	<u>489,038</u>
NET ASSETS AT END OF YEAR	<u>\$ 17,022,252</u>	<u>\$ 15,973,282</u>	<u>\$ 426,566</u>
Change in net assets - water enterprise fund	\$ 1,048,970		
Adjustment to reflect the consolidation of internal service fund activities related to the water enterprise fund	(85,237)		
Change in net assets of business-type activity	<u>\$ 963,733</u>		

See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2003

	Business-type Activity - Water Enterprise Fund		Governmental Activities- Internal Service Funds
	Current Year	Prior Year	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 6,217,423	\$ 5,754,506	\$ -
Receipts from interfund services provided	-	-	676,548
Other operating receipts	222,395	116,303	-
Payments to suppliers	(2,964,756)	(3,282,094)	(793,045)
Payments to employees	(1,281,256)	(1,225,317)	(247,860)
Payments for interfund services used	-	-	24,234
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,193,806	1,363,398	(340,123)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfer in	-	-	422,502
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of pumping rights, other revenue	-	167,217	-
Acquisition of capital assets	(1,427,187)	(874,428)	(86,365)
Principal paid on revenue bonds and state loan	(299,340)	(287,244)	-
Interest paid on revenue bonds and state loan	(268,411)	(280,874)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,994,938)	(1,275,329)	(86,365)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	146,031	160,318	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	344,899	248,387	(3,986)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,243,899	3,995,512	40,993
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,588,798	\$ 4,243,899	\$ 37,007

(Continued)

See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)

For the year ended June 30, 2003

	Business-type Activity - Water Enterprise Fund		Governmental Activities- Internal Service Funds
	Current Year	Prior Year	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,217,642	\$ 1,162,343	\$ (484,974)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	757,543	721,058	154,121
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivables	27,203	(79,145)	-
(Increase) decrease accrued revenue	153,345	(113,968)	-
(Increase) decrease in inventories	865	7,064	3,162
(Increase) decrease in prepaid items	(9,417)	-	-
Increase (decrease) in accounts payable	40,733	(334,152)	(14,228)
Increase (decrease) in accrued liabilities	-	-	1,796
Increase (decrease) in customer deposits	5,892	198	-
Total adjustments	976,164	201,055	144,851
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,193,806	\$ 1,363,398	\$ (340,123)

See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2003

	Agency Funds
ASSETS:	
Cash	\$ 866,836
Loans receivable	<u>1,667,297</u>
TOTAL ASSETS	<u>\$ 2,534,133</u>
LIABILITIES:	
Deposits	\$ 773,099
Due to HUD	<u>1,761,034</u>
TOTAL LIABILITIES	<u>\$ 2,534,133</u>

See independent auditors' report and notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The reporting entity, "City of Lakewood," includes the accounts of the City, the Lakewood Redevelopment Agency (Agency), the Housing Authority of the City of Lakewood (Housing Authority), and the Lakewood Public Financing Authority (Financing Authority).

The City of Lakewood was incorporated April 16, 1954, under the general laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities.

The Lakewood Redevelopment Agency was established November 1972, pursuant to the State of California Health and Safety Code Section 33000. The primary purpose of the Agency is to encourage private redevelopment of property and to rehabilitate areas suffering from physical and economic blight. The Agency has established three redevelopment project areas known as Town Center Project Area No. 1, approximately 261 acres; Project Area No. 2, approximately 160 acres; and Project Area No. 3, approximately 218 acres.

The Lakewood Housing Authority was created by resolution in July 1984, so that the City could apply directly to the U. S. Department of Housing and Urban Development for rental assistance on behalf of Lakewood residents.

The Lakewood Public Financing Authority was created on December 12, 1995, by a Joint Exercise of Powers Agreement between the City and the Agency pursuant to the State of California Joint Exercise of Powers Act. The primary purpose of the Financing Authority is assisting in the financing and refinancing of certain public programs and projects of the City or the Agency.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14. The City of Lakewood is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for the Agency, Housing Authority, and Financing Authority as "blended" component units. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City. Balances for the Agency are reported as separate funds in the Debt Service and Capital Projects Funds. The Housing Authority transactions are set forth as a separate fund in the Special Revenue Funds. The Financing Authority balances and transactions are reported as part of the Water Enterprise Fund. The following specific criteria were used in determining that the Agency, Housing Authority, and Financing Authority were blended component units:

1. The members of the City Council also act as the governing bodies of the Agency, the Housing Authority, and the Financing Authority.
2. The City and the Agency are financially interdependent. The City makes loans to the Agency for use on redevelopment projects. Property tax revenues of the Agency are used to repay the loans from the City.
3. The Agency, the Housing Authority, and the Financing Authority are managed by employees of the City. A portion of the City's salary and overhead expenses is billed to the Agency each year. No such allocation is made to the Housing Authority or the Financing Authority.
4. The City and the Financing Authority are financially interdependent. The Financing Authority arranges financing issues for the City. The City pays the debt service on the Financing Authority's financing issues.

Financial statements for the Agency can be obtained from the City of Lakewood Finance Department. No individual financial statements are prepared for the Housing Authority or Financing Authority.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water enterprise fund and of the government's internal service funds are charges to customers for services. Operating expenses for the proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City reports the following major governmental funds:

General Fund

The General Fund is used to account for all revenues and activities financed by the City, except those required to be accounted for in another fund.

Redevelopment Agency Debt Service Fund

The Redevelopment Agency Debt Service Fund is used to account for the current interest and principal payments on the tax allocation bonds, interest on interfund loans from the City, and payments pursuant to ownership participation agreements.

Redevelopment Agency Capital Projects Fund

The Redevelopment Agency Capital Projects Fund is used to account for resources used in developing the project areas as well as the administrative costs incurred in sustaining Agency activities.

The City reports the following major enterprise fund:

Water Enterprise Fund

The Water Enterprise Fund is used to account for the construction, operation, and maintenance of the City water system.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities not accounted for in other funds.

Internal Service Funds

Internal Service Funds account for the financing of materials and supplies, maintenance, repair and replacement of vehicles and equipment, and printing services used by various departments of the City.

The City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 to the government-wide financial statements and proprietary fund financial statements, unless those pronouncements contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers substantially all City expenditures, with the exception of debt service on bond issues and capital improvement projects, which expenditures constitute legally-authorized "non-appropriated budget." There were no significant non-budgeted financial activities. Actual expenditures may not exceed budgeted appropriations at the fund level. However, the City Manager is authorized to transfer budgeted amounts between funds and between functional categories. Budget figures used in the financial statements include any amendments to the budget during the year. Supplementary budgetary appropriations of the General Fund in the amount of \$742,137 were made during the year.
3. Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are encumbered at year end lapse, and then are added to the following year's budgeted appropriations. However, encumbrances at year end are reported as reservations of fund balance.
4. Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the Redevelopment Agency Debt Service Fund since no budget is adopted for this fund. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
5. Capital project budgets are long term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2003, based on calculations by City Management, proceeds of taxes did not exceed related appropriations. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies, to be used in future years without limitation. In 2002-03, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds. This fund designation is more fully described at Note 8.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

Investments are stated at fair value (quoted market price or the best available estimate thereof).

F. Cash and Cash Equivalents

A high level of funds are in short-term obligations of less than 30 days, including \$25,036,582 on deposit with the California Local Agency Investment Fund. For purposes of the statements of cash flows, all cash and investments held by the enterprise and internal service funds (including restricted cash and investments) are considered to be short term and, accordingly, are classified as cash and cash equivalents.

G. Capital Assets

Capital assets, which include land, site improvements, buildings and improvements, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets consist of roads, bridges, streetlights, traffic signals and sewer lines. Capital assets are defined by the City as assets, with an initial cost of more than \$100 (\$25,000 for infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Structures and improvements	50 years
Equipment	5 - 7 years
Infrastructure	20 - 50 years
Water treatment plant	10 years
General Plant	5 - 20 years
Transmission/distribution	20 - 40 years
Source of supply	30 years
Pumping plant	30 years

H. Inventories

Inventories are valued at cost on a weighted average basis. The inventories are recorded as expenditures when consumed. Water Enterprise Fund inventories consist primarily of water pipe, valves, and fittings. Governmental Fund inventories consist primarily of recreation equipment, maintenance and repair supplies, fuel, and office supplies.

I. Land Held for Resale

Land held for resale is recorded at the lower of acquisition cost or net realizable value in the Redevelopment Agency Capital Projects Fund.

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave (compensated absences). All vacation pay and eligible sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. Amounts expected to be liquidated in the current period with expendable available resources are reported in the governmental funds that will pay it (primarily the General Fund).

See independent auditors' report.

Unpaid compensated absences of proprietary funds are recorded as a liability in those funds as the vested benefits to the employees accrue.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. Accordingly, the City of Lakewood accrues only those taxes which are received from the county within 60 days after year end.

Lien Date	January 1
Levy Date	June 30
Due Dates	November 1 and February 1
Collection Dates	December 10 and April 10

L. Claims and Judgments

When it is probable that a claim liability has been incurred at year-end and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2003, the City Attorney estimated a claim liability of \$290,000 and the City has recorded the estimated loss in the financial statements. Small dollar claims and judgments are recorded as expenditures when paid.

The City's self-insurance program is administered through a Joint Powers Authority (the Authority), which is described at Note 12. The Authority is a public entity risk pool. Claims losses recorded in the Authority include both current claims and Incurred But Not Reported claims (IBNR). Deposits to the Authority are recorded by the City as insurance expenditures in the General Fund when paid (\$529,132 in 2002-03). These deposits are subject to retrospective adjustment. Favorable claims experience in prior years results in a refund of deposits from the Authority and such refunds, if any, are recorded as a reduction of insurance expenditures (\$55,835 in 2002-03). Adverse claims experience in prior years results in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when paid.

A designation for self-insurance totaling \$3,917,000 is recorded in the General Fund. (See Note 8).

M. Bond Issuance Costs

Bond issuance costs are being amortized over the life of the issue on a straight-line basis.

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Authorized Investments

Under provisions of the City's Investment Policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments subject to limitations on the percentage of portfolio and length of maturity:

U.S. Treasury Bills, Notes or Bonds
Bankers Acceptances
Negotiable Certificates of Deposit
Repurchase Agreements
Medium-Term Corporate Notes

Mutual Funds
Commercial Paper
California Local Agency Investment Fund (LAIF)
Los Angeles County Pooled Fund
Certificates of Deposit

Federal Agency Obligations:

Federal Home Loan Bank Notes and Bonds (FHLB's)
Federal National Mortgage Association (FNMA's)
Federal Farm Credit Bank Bonds (FFCB's)
Federal Home Loan Mortgage Corp. (FHLMC's)
Student Loan Association Notes (SALLIE MAE's)

Repurchase Agreements

The City had no investments in Repurchase Agreements during fiscal year 2002-03.

California Local Agency Investment Fund (LAIF)

The City is a voluntary participant in the California Local Agency Investment fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each City may invest up to \$40,000,000 and may also invest without limitation in special bond proceeds accounts. Investments in LAIF are highly liquid, and deposits may be converted to cash within twenty-four hours without loss of interest. At June 30, 2003, the total fair value of LAIF was \$55,587,336,494. The fair value of the City's proportionate share in LAIF (\$25,036,582) is the same as the value of the City's pool shares. Included in LAIF's investment portfolio are certain derivative securities in the form of structured notes totaling \$304,000,000 and asset-backed securities totaling \$985,676,000. LAIF's, and the City's, exposure to credit, market, or legal risk is not currently available.

California Asset Management Program (CAMP) Cash Reserve Portfolio

The fiscal agent for the Lakewood Redevelopment Agency invests reserve bond funds in the CAMP cash reserve portfolio which is an investment trust similar to a mutual money market fund. This fund invests primarily in certificates of deposit, commercial paper, and U. S. Government and Agency obligations.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to (1) those funds which are required by law or administrative action to receive interest, and (2) the Proprietary Funds. Interest is allocated on a quarterly basis based on the weighted average cash balances in each fund receiving interest.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Classification of Deposits and Investments By Credit Risk

Deposits and investments are classified into three categories of credit risk. These categories are as follows:

Deposits:

- Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's Trust Department or agent in the City's name.
- Category 3 - Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its Trust Department or agent, but not in the City's name.

Investments:

- Category 1 - Investments which are insured or registered, or held by the City or its agent in the City's name.
- Category 2 - Investments which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 - Investments which are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Deposits and investments were categorized at June 30, 2003:

	<u>Category</u>			<u>Bank Balances</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Deposits:					
Banks:					
Demand accounts	\$ 100,000	\$ 731,891	\$ -	\$ 831,891	\$ 2,434,049
Savings accounts	<u>100,000</u>	<u>3,239,279</u>	<u>-</u>	<u>3,339,279</u>	<u>1,555,945</u>
Total deposits	<u>\$ 200,000</u>	<u>\$ 3,971,170</u>	<u>\$ -</u>	<u>\$ 4,171,170</u>	<u>3,989,994</u>

	<u>Category</u>			<u>Bank Balances</u>	
	<u>1</u>	<u>2</u>	<u>3</u>		
Investments:					
Federal obligations:					
Federal Home Loan Bank	\$ 11,341,250	\$ -	\$ -	\$ -	11,341,250
Federal National Mortgage Association	5,090,938	-	-	-	5,090,938
Federal Home Loan Mortgage Corp.	4,105,625	-	-	-	4,105,625
California Local Agency Investment Fund	-	-	-	25,036,582	25,036,582
Mutual Funds - Fiscal Agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,669,190</u>	<u>1,669,190</u>
Total investments	<u>\$ 20,537,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,705,772</u>	<u>47,243,585</u>
Total carrying amount (book balances)					<u>\$ 51,233,579</u>

See independent auditors' report.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The City's cash and investments are reported as follows:

Cash and investments	\$ 48,655,057
Temporarily restricted:	
Cash and investments	42,496
Cash and investments with fiscal agent	1,669,190
Cash and investments - Fiduciary Funds	<u>866,836</u>
Total	<u>\$ 51,233,579</u>

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 was as follows:

Governmental Activities:

	Balance at July 1, 2002	Additions	Deletions	Balance at June 30, 2003
Capital assets, not being depreciated:				
Land	\$ 18,394,023	\$ -	\$ -	\$ 18,394,023
Construction in progress	<u>2,012,108</u>	<u>1,553,056</u>	<u>-</u>	<u>3,565,164</u>
Total capital assets, not being depreciated	<u>20,406,131</u>	<u>1,553,056</u>	<u>-</u>	<u>21,959,187</u>
Capital assets, being depreciated:				
Structures and improvements	31,464,794	605,666	-	32,070,460
Equipment	9,196,087	593,788	(214,012)	9,575,863
Infrastructure	<u>107,169,120</u>	<u>1,103,160</u>	<u>-</u>	<u>108,272,280</u>
Total capital assets, being depreciated	<u>147,830,001</u>	<u>2,302,614</u>	<u>(214,012)</u>	<u>149,918,603</u>
Less accumulated depreciation for:				
Structures and improvements	(11,923,851)	(635,353)	-	(12,559,204)
Equipment	(6,964,077)	(644,000)	15,287	(7,592,790)
Infrastructure	<u>(73,901,021)</u>	<u>(1,519,198)</u>	<u>-</u>	<u>(75,420,219)</u>
Total accumulated depreciation	<u>(92,788,949)</u>	<u>(2,798,551)</u>	<u>15,287</u>	<u>(95,572,213)</u>
Total capital assets, being depreciated, net	<u>55,041,052</u>	<u>(495,937)</u>	<u>(198,725)</u>	<u>54,346,390</u>
Total governmental activities capital, net	<u>\$ 75,447,183</u>	<u>\$ 1,057,119</u>	<u>\$ (198,725)</u>	<u>\$ 76,305,577</u>

See independent auditors' report.

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Business-type Activities:

	Balance at July 1, 2002	Additions	Deletions	Balance at June 30, 2003
Capital assets, not being depreciated				
Land	\$ 381,023	\$ -	\$ -	\$ 381,023
Water rights	1,551,836	240,000	-	1,791,836
Construction in progress	6,815	1,057,295	-	1,064,110
Total capital assets, not being depreciated	1,939,674	1,297,295	-	3,236,969
Capital assets, being depreciated:				
Source of supply	2,313,195	-	-	2,313,195
Pumping plant	532,404	10,513	-	542,917
Water treatment	85,699	9,182	-	94,881
Transmission/distribution	20,375,567	101,925	(34,198)	20,443,294
General plant	3,028,792	5,685	-	3,034,477
Total capital assets, being depreciated	26,335,657	127,305	(34,198)	26,428,764
Less accumulated depreciation for:				
Source of supply	(772,570)	(195,390)	-	(967,960)
Pumping plant	(470,576)	(3,870)	-	(474,446)
Water treatment	(50,108)	(4,952)	-	(55,060)
Transmission/distribution	(8,502,169)	(478,936)	578	(8,980,527)
General plant	(2,409,901)	(74,395)	-	(2,484,296)
Total accumulated depreciation	(12,205,324)	(757,543)	578	(12,962,289)
Total capital assets, being depreciated, net	14,130,333	(630,238)	(33,620)	13,466,475
Total business-type activity, capital assets, net	\$ 16,070,007	\$ 667,057	\$ (33,620)	\$ 16,703,444

Depreciation expense:

Depreciation expense was charged to City functions/programs as follows:

Governmental activities:

General government	\$ 237,949
Public safety	84,197
Transportation	53,352
Community development	162,709
Health and sanitation	2,064
Culture and leisure	584,961
Internal service funds depreciation charged to programs	154,121
Allocated depreciation	1,279,353
Unallocated infrastructure depreciation	1,519,198
Total depreciation expense - governmental activities	\$ 2,798,551

Business type activity

Water	\$ 757,543
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See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2003:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Amount Due Within One Year
Governmental Activities:					
Agency tax allocation bonds	\$ 15,380,000	\$ -	\$ (500,000)	\$ 14,880,000	\$ 550,000
Compensated absences	<u>1,000,548</u>	<u>-</u>	<u>(21,851)</u>	<u>978,697</u>	<u>475,416</u>
Total Governmental Activities	<u>16,380,548</u>	<u>-</u>	<u>(521,851)</u>	<u>15,858,697</u>	<u>1,025,416</u>
Business-type Activities:					
Loan payable to State of California	331,959	-	(54,340)	277,619	56,521
1996 Water Revenue bonds	4,795,000	-	(245,000)	4,550,000	255,000
Less discount on bonds	<u>(18,345)</u>	<u>-</u>	<u>1,334</u>	<u>(17,011)</u>	<u>-</u>
Total Business-type Activities	<u>5,108,614</u>	<u>-</u>	<u>(298,006)</u>	<u>4,810,608</u>	<u>311,521</u>
City Total	<u>\$ 21,489,162</u>	<u>\$ -</u>	<u>\$ (819,857)</u>	<u>\$ 20,669,305</u>	<u>\$ 1,336,937</u>

Governmental Activities**A. Agency Tax Allocation Bonds - Series 1999A, Series 1992A, and Series 1992B**Series 1999A

On October 1, 1999, the Agency issued \$6,760,000 Redevelopment Project No. 1 Tax Allocation Parity Refunding Bonds, 1999 Series A, to refinance a portion of the 1992A Bonds and to finance certain obligations under a Participation Agreement with Lakewood Mall Business Company. The 1999A Bonds are secured by a pledge of tax increment revenue from Project Area No. 1 on a parity with the remaining 1992A Bonds and the 1992B Bonds.

The 1999A Bonds are serial bonds maturing annually each September 1 from 2002 through 2017, in amounts ranging from \$195,000 to \$630,000, and bear interest at rates ranging from 4.0% to 5.4%. Interest is payable semiannually on March 1 and September 1. The 1999A Bonds are subject to redemption prior to maturity at the option of the Agency as a whole, or in part, by such maturities as designated by the Agency and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, plus a premium (expressed as a percentage of the principal amount of bonds to be redeemed) plus accrued interest to the redemption date. The redemption prices range from 100% to 102%.

The net proceeds of the 1999A Bonds were \$6.434 million after paying \$.326 million in underwriting fees, insurance, and other issuance costs.

As of June 30, 2003, the balance of the Series 1999A Bonds is \$6,565,000.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

A. Agency Tax Allocation Bonds - Series 1999A, Series 1992A, and Series 1992B (Continued)

Series 1999A (Continued)

Total debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 225,000	\$ 319,165	\$ 544,165
2005	285,000	308,680	593,680
2006	310,000	296,030	606,030
2007	360,000	281,445	641,445
2008	375,000	265,088	640,088
2009 - 2013	2,155,000	1,035,480	3,190,480
2014 - 2018	2,855,000	396,880	3,251,880
Total	\$ 6,565,000	\$ 2,902,768	\$ 9,467,768

Advance Refunding Info for GASB No. 7

\$3.927 million of net proceeds of the 1999A Bonds, together with \$4.949 million on deposit with the trustee for the 1992A Bonds, were used to purchase U. S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service with respect to \$8.465 million of the 1992A Bonds. As a result, a portion of the 1992A Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. These 1992A Bonds were called for redemption on September 1, 2002.

Series 1992A and Series 1992B

On November 10, 1992, the Lakewood Redevelopment Agency issued the Redevelopment Project No. 1 Refunding Tax Allocation Bonds, Series 1992A, in the amount of \$16,655,000 and Series 1992B (taxable) in the amount of \$3,355,000, to refinance certain prior obligations of the Agency and to refinance certain improvements within Project Area No. 1. The bonds are secured by a pledge of tax increment revenue from Project Area No. 1 and by interest earned from the investment proceeds of bonds issuance.

After refinancing, \$6,600,000 of the Series 1992A Bonds remained. These are serial bonds maturing annually each September 1, through 2017, in amounts ranging from \$180,000 to \$560,000, and bear interest at rates ranging from 5.2% to 6.5%. Interest is payable semiannually on March 1 and September 1. The balance of the Series 1992A Bonds as of June 30, 2003, is \$5,605,000.

The Series 1992B Bonds mature September 1, 2017, and bear interest at the rate of 8.875%. Interest is payable semiannually on March 1 and September 1. These bonds are subject to redemption in part, by lot, on September 1 in each year commencing September 1, 1993, at a redemption price equal to the principal amount thereof to be redeemed, without premium. The balance of the Series 1992B Bonds as of June 30, 2003, is \$2,710,000.

NOTE 4 -LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

A. Agency Tax Allocation Bonds - Series 1999A, Series 1992A, and Series 1992B (Continued)

Series 1992A and Series 1992B (Continued)

Series 1992A total debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 230,000	\$ 356,275	\$ 586,275
2005	250,000	341,250	591,250
2006	260,000	324,675	584,675
2007	280,000	307,125	587,125
2008	300,000	288,275	588,275
2009 - 2013	1,810,000	1,113,775	2,923,775
2014 - 2018	<u>2,475,000</u>	<u>422,663</u>	<u>2,897,663</u>
Total	<u>\$ 5,605,000</u>	<u>\$ 3,154,038</u>	<u>\$ 8,759,038</u>

Series 1992B total debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 95,000	\$ 236,297	\$ 331,297
2005	100,000	227,644	327,644
2006	110,000	218,325	328,325
2007	120,000	208,119	328,119
2008	130,000	197,025	327,025
2009 - 2013	850,000	781,000	1,631,000
2014 - 2018	<u>1,305,000</u>	<u>308,184</u>	<u>1,613,184</u>
Total	<u>\$ 2,710,000</u>	<u>\$ 2,176,594</u>	<u>\$ 4,886,594</u>

B. Compensated Absences

There is no fixed payment schedule for earned but unpaid compensated absences.

NOTE 4 -LONG-TERM LIABILITIES (CONTINUED)

Business-type Activities

C. Loan Payable to State of California

The water utility constructed a six-mile reclaimed waterline funded in part by a loan from the State of California Water Resources Control Board. A loan of \$864,831 was received in February, 1989. The term of the loan is 18-1/2 years at an interest rate of 4.01%. Principal and interest payments are due on May 31 of each year, beginning May 31, 1990. The final payment is due December 22, 2007.

The annual requirements to amortize the loan outstanding at June 30, 2003, are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	\$ 56,521	\$ 11,140	\$ 67,661
2005	58,789	8,872	67,661
2006	61,148	6,513	67,661
2007	63,601	4,059	67,600
2008	<u>37,560</u>	<u>847</u>	<u>38,407</u>
Total	<u>\$ 277,619</u>	<u>\$ 31,431</u>	<u>\$ 309,050</u>

D. Water Revenue Bonds Payable

To finance the costs of acquisition and construction of certain additions and improvements to the City's water system, the Financing Authority sold \$6,040,000 principal amount of water revenue bonds at interest rates ranging from 3.75% to 5.70%. The bonds mature serially from April 1, 1997, through April 1, 2016, in amounts ranging from \$165,000 to \$475,000. Bonds maturing on or after April 1, 2006, are subject to optional redemption by the Financing Authority on April 1, 2005, at prices ranging from 100% to 102% of the principal amount of the bonds. US bank serves as trustee for the payment of principal and interest.

The annual requirements to amortize the bonds outstanding at June 30, 2003, are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	\$ 255,000	\$ 246,730	\$ 501,730
2005	265,000	234,618	499,618
2006	280,000	221,632	501,632
2007	295,000	207,633	502,633
2008	305,000	192,587	497,587
2009 - 2013	1,805,000	698,628	2,503,628
2014 - 2016	<u>1,345,000</u>	<u>156,180</u>	<u>1,501,180</u>
Total	<u>\$ 4,550,000</u>	<u>\$ 1,958,008</u>	<u>\$ 6,508,008</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances were as follows at June 30, 2003:

Due To / From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Central Stores Internal Service Fund	\$ 76,608
Redevelopment Agency Capital Projects	Other Governmental Funds	2,604,618
Other Governmental	General	390,175
		<u>\$ 3,071,401</u>

The interfund payable balances in the Central Stores Internal Service Fund and General Fund represent routine cash flow assistance from the General Fund and Other Governmental Funds, respectively. The interfund payable in the Other Governmental Funds represents a net amount owed to the Redevelopment Agency from the City. The Agency has a prepaid balance of \$3,811,268 for housing administration services to be provided by the City and the Agency owes the City \$1,206,650 for administrative charges incurred for FY 02/03. It is anticipated that the prepaid portion of this balance will not be used within one year.

Advances From / To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Redevelopment Agency Debt Service	\$ 22,379,846

The City provides advances to the Redevelopment Agency to assist the Agency with its operating budget and redevelopment activities. The interest rate on the advances is 12% per annum compounded annually on the outstanding principal portion only. Accrued unpaid interest totaling \$7,131,865 at June 30, 2003 is included in the advance balance. Since the accrued unpaid interest due to the City is not available as a resource to meet expenditures of the current year, it has been recorded as deferred revenue in the General Fund.

Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,609,988
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	2,504,965
Other Governmental Funds	General Fund	2,370,432
	Redevelopment Agency Debt Service Fund	1,636,423
	Other Governmental Funds	1,217,913
Central Garage Internal Service Fund	General Fund	324,693
Print Shop Internal Service Fund	General Fund	97,809
		<u>\$ 9,762,223</u>

Transfers provided funding for capital projects, capital acquisitions, debt service, central garage service and print shop services.

See independent auditors' report.

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

The City makes all of the contributions required of City employees on their behalf and for their account. The employee portion of the rates is set by statute and therefore remains unchanged from year to year. The member rate as a percentage of wages for local miscellaneous members is 7%.

Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2002-03 was 0.0% for local miscellaneous members. The contribution requirements of the plan members are established by State statute and the employer contribution rates were established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2002-03, the City's actual and contributed pension cost was \$736,338. The required contribution for fiscal year 2002-03 was determined as part of the June 30, 2000, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) an 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by age, length of service and type of employment from 3.75% to 14.2%; (c) a 3.5% inflation rate; (d) a 3.75% payroll growth rate; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%. The actuarial value of the Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over a rolling period which results in an amortization of 10% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of Plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Funding Status and Progress

Three-Year Trend Information for the Miscellaneous Plan:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Employees</u>			
6/30/01	\$ 649,010	100%	\$ -
6/30/02	692,980	100%	-
6/30/03	736,338	100%	-

See independent auditors' report.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Schedule of Funding Progress for PERS

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/00	\$ 38,986,478	\$ 53,382,218	\$ (14,395,740)	136.9%	\$ 9,190,471	(156.6%)
6/30/01	41,807,989	54,410,994	(12,603,005)	130.1%	9,636,102	(130.8%)
6/30/02	45,183,199	50,746,094	(5,562,895)	112.3%	10,123,577	(54.9%)

NOTE 7 - DEFERRED COMPENSATION PLAN

The City has made available to its employees two deferred compensation plans, whereby employees authorize the City to withhold funds from salary to be invested in the ICMA Retirement Corporation or the California Public Employees Retirement System (PERS) California Employees Deferred Compensation Plan. Funds may be withdrawn by participants upon termination of employment or retirement. The City makes no contributions under the plans. The City withholds employee contributions from employee's payroll checks and transmits these monies to the plan providers on a bi-weekly basis. The City makes distributions from the plans based solely upon authorizations from the plan administrator.

Pursuant to changes in Internal Revenue Code (IRC) Section 457 on November 26, 1997, the City formally established a plan level trust in which all assets and income of the 457 plan were placed. The assets, all property and rights purchased with such amount, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are no longer the property of the City and, as such, are no longer subject to the claims of the City's general creditors. As a result, the assets of the 457 plan are no longer reflected in the Agency fund in which they were previously recorded. The City had minimal involvement in the administration of the 457 plan and, therefore, lacks the fiduciary accountability that would have required the 457 plan be recorded in an expendable trust fund.

NOTE 8 - RESERVES AND DESIGNATIONS OF FUND EQUITY

A city may set up "reserves" of fund equity to segregate fund balances which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" also may be established to indicate tentative plans for financial resource utilization in a future period.

The City's reserves and designations at June 30, 2003, are tabulated below, followed by explanations as to the nature and purpose of each reserve and designation.

Reserves	General Fund	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	Other Governmental Funds
Encumbrances	\$ 623,425	\$ -	\$ 20,175	\$ 232,393
Continuing appropriations	636,862	-	-	1,529,451
Personnel benefits	3,354,957	-	-	-
Debt service	-	1,669,022	-	-
Land held for resale	-	-	384,847	-
Low and moderate housing	-	-	3,811,268	-
Prepaid items	-	-	3,000	-
Advances	15,247,981	-	-	-
Special revenue purposes	-	-	-	2,323,171
Other reserves	513,114	-	-	-
Total reserves	<u>\$ 20,376,339</u>	<u>\$ 1,669,022</u>	<u>\$ 4,219,290</u>	<u>\$ 4,085,015</u>

See independent auditors' report.

NOTE 8 - RESERVES AND DESIGNATIONS OF FUND EQUITY (CONTINUED)

<u>Designations</u>	<u>General Fund</u>
Self Insurance	\$ 3,917,000
Capital improvements	5,295,907
Facilities replacement	3,214,842
Equipment replacement	3,962,420
General contingencies	4,874,070
Infrastructure improvements	4,000,000
Refuse disposal rate stabilization	517,074
Economic uncertainty	<u>1,173,622</u>
Total designations	<u>\$ 26,954,935</u>

A. Reserve for Encumbrances

Amounts reserved for encumbrances are commitments for materials and services on purchase orders and contracts which are unperformed.

B. Reserve for Continuing Appropriations

Appropriations for capital projects which are unexpended as of June 30, 2003, will carry forward as continuing appropriations to be expended in 2003-04.

C. Reserve for Personnel Benefits

This reserve provides for additional negotiated personnel benefits, as provided in the memorandum of understanding effective July 1, 2001.

D. Reserve for Debt Service

The Tax Increment Bond Resolutions require that reserves be established.

E. Reserve for Land Held for Resale

This reserve is provided to indicate that land held for resale is not "available" as a resource to meet expenditures of the current year.

F. Reserve for Low and Moderate Housing

These funds are reserved for low and moderate housing, as required by the State of California Health and Safety Code Sections 33334.2 and 33334.3.

G. Reserve for Prepaid Items

This reserve is provided to indicate that prepaid items are not "available" as a resource to meet expenditures of the current year.

H. Reserve for Advances

This reserve is provided to indicate that advances are not "available" as a resource to meet expenditures of the current year.

See independent auditors' report.

NOTE 8 - RESERVES AND DESIGNATIONS OF FUND EQUITY (CONTINUED)

I. Reserve for Special Revenue Purposes

These funds are reserved for the specific special revenue purposes as restricted by law or administrative action. They include funds which may only be used for street maintenance and construction, park and recreation purposes, sewer reconstruction, certain transportation purposes, federal housing grants, housing administration, and to reduce air pollution from mobile sources.

J. Other reserves

Other reserves have been established for law enforcement projects.

K. Designated for Self-Insurance

These funds have been designated to provide for the general liability and workers' compensation insurance programs. The City is a member of the CALIFORNIA Joint Powers Insurance Authority as described in Note 10.

L. Designated for Capital Improvements

These funds are designated to provide for new capital additions as determined by the City Council.

M. Designated for Facilities Replacement

These funds are designated to provide primarily for the replacement of existing buildings which are expected to require reconstruction or major renovation in the future.

N. Designated for Equipment Replacement

These funds are designated to provide primarily for replacement of major City equipment, such as office and computer equipment and equipment at City swimming pools.

O. Designated for General Contingencies

The remainder of the unreserved fund balance at June 30, 2003, in the General Fund has been designated for general contingencies.

P. Designated for Infrastructure Improvements

These funds are designated to provide for new infrastructure improvements as determined by the City Council.

Q. Designated for Refuse Disposal Rate Stabilization

These funds are designated to provide for refuse disposal rate stabilization as determined by the City Council.

R. Designated for Economic Uncertainty

These funds are designated to provide for economic uncertainty in light of the State budget crises and its potential impact on local revenues.

NOTE 9 - HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAM

The City makes deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal Year 1996-97, the City began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. Through Fiscal Year 1997-98, the City also used Housing and Community Development Block Grant (CDBG) funds to provide these loans. The rehabilitation loans made from Redevelopment Agency low and moderate housing 20% set-aside funds are reflected in the Lakewood Redevelopment Agency Capital Projects Fund. Due to the long-term nature of the loans, the City has deferred recognition of revenues until receipt. The rehabilitation loans made from CDBG funds and all HUD cash held for rehabilitation loans are reflected in the Housing Rehabilitation Agency Fund. Since the Department of Housing and Urban Development has a claim to any funds remaining when the program is terminated, these funds are reported as "Due to Other Governments" in the Agency Fund.

NOTE 10 - LIABILITY, PROPERTY AND WORKERS COMPENSATION PROTECTION

A. Description of Self-insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the CALIFORNIA Joint Powers Insurance Authority (Authority). The Authority is comprised of 107 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500, et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has a representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Self-insurance Programs of the Authority

General liability insurance. Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$20,000 of each occurrence is charged directly to the City; costs from \$20,001 to \$500,000 are pooled based on a member's share of costs under \$20,000; costs from \$500,001 to \$5,000,000 are pooled based on payroll. Costs of covered claims above \$5,000,000 are currently paid by reinsurance. The protection for the City is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

Workers' Compensation. The City also participates in the workers compensation pool administered by the Authority. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability pool. The City of Lakewood is charged for the first \$50,000 of each claim. Costs from \$50,001 to \$100,000 per claim are pooled based on the City's losses under its retention level. Costs between \$100,001 and \$500,000 per claim are pooled based on payroll. Costs in excess of \$500,000 are paid by excess insurance purchased by the Authority. The excess insurance provides coverage to statutory limits.

C. Insurance Coverage

Property Insurance. The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$32,409,921. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance. The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$23,334,989. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Fidelity Bonds. The City purchases blanket fidelity bond coverage in the amount of \$5,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Environmental Liability Insurance. The environmental insurance covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the members. Furthermore, pollution legal liability, remediation legal liability, legal defense, and transportation are included in the coverage. The City is covered up to \$10,000,000 with a \$50,000 per occurrence deductible.

See independent auditors' report.

NOTE 10 - LIABILITY, PROPERTY AND WORKERS COMPENSATION PROTECTION (CONTINUED)

D. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insurance liability coverage from coverage in the prior year.

NOTE 11 - POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the City provides a post-retirement medical care benefit under the terms of a Memorandum of Understanding (MOU) between the City and its employees. The benefit is in the form of a monthly supplemental payment to assist qualified retirees with premium payment on medical insurance. Effective July 1, 1989, this benefit is available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after attaining age 60 and who have completed at least 15 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. Effective July 1, 2001, this benefit was modified and is also available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after age 55 and who have completed at least 20 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. The benefit is a "defined dollar benefit" set at \$187.89 per month on July 1, 2002, continuing until the retiree has met the insured status requirements for Medicare. Thereafter, the payment is reduced to \$84.52 per month. The benefit is increased annually according to the terms of the MOU. The maximum term of benefits paid a qualifying employee is equal to the number of months of continuous Lakewood City service.

Expenditures for this post-retirement benefit are recognized as retirees file claims. During the year, expenditures of \$28,295 were recognized. 23 employees were covered by the plan. This represents .2% of the current year's payroll for active employees.

NOTE 12 - CONTINGENT LIABILITIES

- A. Numerous claims and suits have been filed against the City in the normal course of business. Based upon information received from the City Attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by self-insurance designations and insurance coverage.
- B. The City contracts for policing services through the Los Angeles County Sheriff's Department. As part of the agreement for services, the City is required to pay an additional 6% premium over the contract price to the Sheriff's Department for liability insurance. This amount is held by the County in a Liability Trust Fund and provides for the payment of claims brought against the Sheriff's Department.

NOTE 13 - EDA REVOLVING LOAN FUND GRANT

The Gateway Cities Council of Governments has received grant funds for economic development from the Economic Development Administration (EDA). On August 24, 1999, the City of Lakewood approved an agreement with the Gateway Cities Council of Governments, of which the City of Lakewood is a member, to receive \$750,000 of these funds as a sub-grantee. These funds will be used to establish a commercial revolving loan fund to provide for business expansion, economic development, and job creation in Lakewood. The revolving loan fund will particularly target industrial, manufacturing, and commercial businesses adjacent to the Boeing plant and Long Beach Airport and at the 19-acre former Rockwell site in Lakewood. This is a matching grant program. The funds received from the EDA are matched with \$75,000 from a California Trade and Commerce Agency Defense Adjustment Matching Grant and \$183,160 in Community Development Block Grant (CDBG) funds. As of June 30, 2003, only one loan has been made under this program. The outstanding balance, which is reported in the General Fund, as of June 30, 2003 was \$231,849.

NOTE 14 - HOUSING REHABILITATION LOAN PROGRAM

The Agency makes deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal Year 1996-97, the Agency began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. The rehabilitation loans made from Redevelopment Agency low and moderate housing 20% set-aside funds are reported in the Lakewood Redevelopment Agency Capital Projects Fund. Due to the long-term nature of the loans, the Agency has deferred recognition of revenues until receipt. As of June 30, 2003, outstanding loans under this program totaled \$1,481,858.

See independent auditors' report.

NOTE 15 - OTHER AGREEMENTS

On June 13, 1989, the Agency entered into an agreement for the allocation of tax increment revenue generated from Project Area No. 2. As part of the agreement, the Agency is required to reimburse the Consolidated Fire Protection District of Los Angeles County 17.26% of tax increment revenues and Los Angeles County 54.59% of tax increment revenue. The Los Angeles County portion may be deferred in any year under certain terms of the agreement until total tax increment of the Agency reaches a cumulative total of \$60,000,000. After the total reaches \$60,000,000, the Agency is required to reimburse Los Angeles County 100% of tax increment revenue (net of the allocation to the Consolidated Fire Protection District of Los Angeles County) until the deferred sums have been repaid. Interest on any deferral amounts was prepaid in a lump sum of \$842,000 in Fiscal Year 1990-91. At June 30, 2003, the Agency's outstanding deferral balance is \$388,075.

On September 14, 1999, the Agency also approved an agreement to lease 1,900 parking stalls from the Lakewood Mall Business Company to provide public parking. Rent is comprised of basic rent and additional rent. The basic rent is \$450,000 per year. The additional rent is based on the amount of additional tax increment received above a base year amount and is capped at \$300,000 per year. The Agency also entered into a sublease with the developer in order for the developer to operate and maintain the premises as public facilities. The annual lease payments will be paid with tax increment revenues generated by the Mall. On September 10, 2002, the first lease payment was made in the amount of \$376,955 for fiscal year 2001-2002. In September 2003, an additional \$529,159 was made for the fiscal year 2002-2003. The payment consisted of base rent in the amount of \$450,000, plus the amount based on the increase in assessed valuation, \$79,159.

On August 27, 2002, the Lakewood Redevelopment Agency entered into a twelve-year agreement with Pacific Ford, Inc., and HJCH II for a rehabilitation reimbursement in the amount not to exceed \$1,890,000 to be paid quarterly based on a tax revenue generated by the Ford dealership and any other dealership on the property acquired and to be acquired by HJCH II. Pacific Ford and HJCH II guarantee for the term of the agreement a minimum amount of sales per year subject to California sales tax. In the event the minimum is not achieved in the aggregate for the term of the agreement, the participant shall reimburse the City of Lakewood for the amount of sales tax revenue not generated. In addition, the Agency extended its existing lease of a parcel on Cherry Avenue to Pacific Ford and renewed the option to purchase that parcel. For the year ended June 30, 2003, the Agency made no payments in relation to this agreement, however, an amount of \$47,250 is included in accounts payable for the Capital Projects Fund.

On December 16, 1998, the Agency entered into a participation agreement with Golden State Health Centers, Inc., which reimburses all tax increment revenues which the Agency receives from the redevelopment of the site located at 11695 Del Amo Boulevard, excluding: (1) the property taxes levied and assessed against the site as of January 1, 1998; (2) the amount required to be set aside for the low-and moderate-income housing fund equal to 20%; and (3) that amount of tax increment the Agency is required to pay to other taxing agencies which is currently approximately 20% of such tax increment. Such payments shall be made to the owner in semi-annual installments within 60 days after the Agency's receipt of its tax increment for the Redevelopment Project from the County tax collector. The owner shall submit a written statement each year to the Agency requesting such payment together with a copy of its property tax bill(s) for all real property within the site, whether billed to the owner or any tenant.

NOTE 16 - SUBSEQUENT EVENT

Lakewood Redevelopment Agency Redevelopment Project No. 1 (Town Center) Tax Allocation Refunding Bonds, 2003 Series A and B:

The Lakewood Redevelopment Agency issued the Redevelopment Project No. 1 (Town Center) Tax Allocation Parity Refunding Bonds, 2003 Series A and B in the amount of \$5,565,000 and \$2,805,000 respectively. The bonds were sold on November 18, 2003. Proceeds of the 2003 Series A Bonds were used to advance refund the remaining Series A 1992 Bonds, to establish a reserve account and to pay the expenses of the Agency in connection with the issuance of the Bonds. Proceeds of the 2003 Series B Bonds (taxable) were used to advance refund the remaining Series B 1992 Bonds, to establish a reserve account and to pay the expenses of the Agency in connection with the issuance of the Bonds.

NOTE 17 - RESTATEMENT OF FUND BALANCES

The beginning fund balance of the Debt Service Fund has been restated for the following prior period adjustments:

Fund balance at July 1, 2002	\$ 7,303,910
Reclassification of advances from the City of Lakewood (including unpaid accrued interest) as a fund liability	(20,323,159)
Reclassification of advances from the Capital Projects Fund as a fund liability	(14,640)
Correction of rental payments for public parking that should have been accrued as a liability at June 30, 2002	<u>(376,955)</u>
Fund balance (deficit) at July 1, 2002, as restated	<u>\$ (13,410,844)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKEWOOD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2003

	Budgeted Amounts			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes	\$ 17,019,600	\$ 17,019,600	\$ 17,494,105	\$ 474,505
Licenses and permits	444,750	444,750	659,201	214,451
Fines and forfeitures	485,000	485,000	612,967	127,967
Investment income, rents and concessions	2,227,000	2,227,000	2,407,121	180,121
From other agencies	6,944,520	7,018,606	6,278,138	(740,468)
Current service charges	5,622,300	5,622,300	6,069,882	447,582
Other	715,987	721,854	756,102	34,248
TOTAL REVENUES	33,459,157	33,539,110	34,277,516	738,406
EXPENDITURES:				
General government	7,181,811	6,133,766	5,983,811	149,955
Public safety	10,067,334	10,592,401	9,570,375	1,022,026
Transportation	3,014,523	2,981,116	2,845,592	135,524
Community development	2,874,851	3,948,738	3,056,170	892,568
Health and sanitation	3,863,647	3,959,744	4,147,217	(187,473)
Culture and leisure	6,762,478	6,891,016	6,191,415	699,601
TOTAL EXPENDITURES	33,764,644	34,506,781	31,794,580	2,712,201
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(305,487)	(967,671)	2,482,936	3,450,607
OTHER FINANCING SOURCES (USES):				
Transfers in	1,540,017	1,540,017	1,609,988	69,971
Transfers out	(4,260,982)	(4,260,982)	(2,792,934)	1,468,048
TOTAL OTHER FINANCING SOURCES (USES)	(2,720,965)	(2,720,965)	(1,182,946)	1,538,019
NET CHANGE IN FUND BALANCE	(3,026,452)	(3,688,636)	1,299,990	4,988,626
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	46,031,284	46,031,284	46,031,284	-
FUND BALANCE AT END OF YEAR	\$ 43,004,832	\$ 42,342,648	\$ 47,331,274	\$ 4,988,626

See independent auditors' report.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for taxes and other revenues set aside in accordance with law or administrative regulation for a specific purpose.

State Gasoline Tax Fund - To account for state gasoline taxes received by the City. These funds may be used for street maintenance, right-of-way acquisition, and street construction.

Park Dedication Fund - To account for business taxes collected on the construction of dwelling units. These funds are used only for park and recreation land and facilities.

Sewer Reconstruction Fund - To account for charges collected on construction permits to be used for the reconstruction of sanitary sewers.

Prop A Transit Fund - To account for Los Angeles County special ½ cent transportation sales tax which became effective July 1, 1982. These funds may be used only for certain transportation purposes.

Housing Authority Fund - To account for revenues and expenditures for federal housing grants to the Lakewood Housing Authority.

Housing Administration Fund - To account for revenues and expenditures for administrative support services to the Lakewood Redevelopment Agency's housing and rehabilitation programs.

Prop C Transportation Fund - To account for Los Angeles County additional special ½ cent transportation sales tax which became effective July 1, 1992. These funds may be used only for certain transportation purposes.

AB 2766 Fund - To account for motor vehicle registration fees authorized by Assembly Bill 2766. These funds are to be used solely to reduce air pollution from mobile sources.

CAPITAL PROJECTS FUND

Lakewood Capital Improvements Fund - To account for the receipt and disbursement of monies used for the construction of major capital facilities which generally require more than one budgetary cycle to complete. These projects are funded by the General Fund, Gas Tax Fund, and federal and state grants.

CITY OF LAKEWOOD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2003

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
ASSETS				
Cash and investments	\$ -	\$ 73,016	\$ 168,991	\$ 1,691,386
Accounts receivable	277,862	-	-	120,102
Notes receivable	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 277,862</u>	<u>\$ 73,016</u>	<u>\$ 168,991</u>	<u>\$ 1,811,488</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ 2,000	\$ -	\$ 22,384
Accrued liabilities	-	-	-	8,550
Due to other funds	-	-	-	-
Deferred revenue	63,879	-	-	-
TOTAL LIABILITIES	<u>63,879</u>	<u>2,000</u>	<u>-</u>	<u>30,934</u>
FUND BALANCES (DEFICIT):				
Reserved:				
Encumbrances	-	44,066	78,000	1,153
Continuing appropriations	-	26,950	-	97,547
Special revenue purposes	213,983	-	90,991	1,681,854
TOTAL FUND BALANCES (DEFICIT)	<u>213,983</u>	<u>71,016</u>	<u>168,991</u>	<u>1,780,554</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 277,862</u>	<u>\$ 73,016</u>	<u>\$ 168,991</u>	<u>\$ 1,811,488</u>

See independent auditors' report.

Special Revenue Funds (Continued)					Capital Projects Fund	
Housing Authority	Housing Administration	Prop C Transportation	AB 2766	Total Special Revenue Funds	Lakewood Capital Improvements	Total Nonmajor Governmental Funds
\$ 439,027	\$ 2,619,977	\$ 1,683,381	\$ 105,779	\$ 6,781,557	\$ -	\$ 6,781,557
16,215	11,600	100,813	24,900	551,492	-	551,492
-	240,000	-	-	240,000	-	240,000
-	-	-	-	-	390,175	390,175
<u>\$ 455,242</u>	<u>\$ 2,871,577</u>	<u>\$ 1,784,194</u>	<u>\$ 130,679</u>	<u>\$ 7,573,049</u>	<u>\$ 390,175</u>	<u>\$ 7,963,224</u>
\$ 455,242	\$ 9,531	\$ -	\$ 23,477	\$ 512,634	\$ 390,175	\$ 902,809
-	17,428	1,408	750	28,136	-	28,136
-	2,604,618	-	-	2,604,618	-	2,604,618
14,364	240,000	-	24,403	342,646	-	342,646
<u>469,606</u>	<u>2,871,577</u>	<u>1,408</u>	<u>48,630</u>	<u>3,488,034</u>	<u>390,175</u>	<u>3,878,209</u>
-	690	108,484	-	232,393	-	232,393
-	-	1,404,954	-	1,529,451	-	1,529,451
(14,364)	(690)	269,348	82,049	2,323,171	-	2,323,171
<u>(14,364)</u>	<u>-</u>	<u>1,782,786</u>	<u>82,049</u>	<u>4,085,015</u>	<u>-</u>	<u>4,085,015</u>
<u>\$ 455,242</u>	<u>\$ 2,871,577</u>	<u>\$ 1,784,194</u>	<u>\$ 130,679</u>	<u>\$ 7,573,049</u>	<u>\$ 390,175</u>	<u>\$ 7,963,224</u>

CITY OF LAKEWOOD

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2003

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 1,076,719
Investment income, rents and concessions	20,024	-	-	43,932
From other agencies	1,777,534	-	-	-
Other	-	-	-	16,829
TOTAL REVENUES	1,797,558	-	-	1,137,480
EXPENDITURES:				
Current:				
Transportation	-	-	-	609,953
Community development	-	-	-	-
Culture and leisure	-	14,494	-	-
Capital outlay:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Culture and leisure	-	-	-	-
TOTAL EXPENDITURES	-	14,494	-	609,953
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,797,558	(14,494)	-	527,527
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,609,988)	(14,489)	-	(2,452)
TOTAL OTHER FINANCING SOURCES (USES)	(1,609,988)	(14,489)	-	(2,452)
NET CHANGE IN FUND BALANCES	187,570	(28,983)	-	525,075
FUND BALANCES AT BEGINNING OF YEAR	26,413	99,999	168,991	1,255,479
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 213,983	\$ 71,016	\$ 168,991	\$ 1,780,554

See independent auditors' report.

Special Revenue Funds (Continued)					Capital Projects Fund	
Housing Authority	Housing Administration	Prop C Transportation	AB 2766	Total Special Revenue Funds	Lakewood Capital Improvements	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 892,935	\$ -	\$ 1,969,654	\$ -	\$ 1,969,654
10,748	41,248	46,392	1,556	163,900	-	163,900
1,481,322	-	-	201,752	3,460,608	1,805,119	5,265,727
-	32,616	3,674	3,293	56,412	-	56,412
<u>1,492,070</u>	<u>73,864</u>	<u>943,001</u>	<u>206,601</u>	<u>5,650,574</u>	<u>1,805,119</u>	<u>7,455,693</u>
-	-	58,382	96,810	765,145	-	765,145
1,506,434	1,710,287	-	-	3,216,721	-	3,216,721
-	-	-	-	14,494	-	14,494
-	-	-	-	-	26,150	26,150
-	-	-	-	-	88,215	88,215
-	-	-	-	-	3,445,983	3,445,983
-	-	-	-	-	1,833,116	1,833,116
<u>1,506,434</u>	<u>1,710,287</u>	<u>58,382</u>	<u>96,810</u>	<u>3,996,360</u>	<u>5,393,464</u>	<u>9,389,824</u>
<u>(14,364)</u>	<u>(1,636,423)</u>	<u>884,619</u>	<u>109,791</u>	<u>1,654,214</u>	<u>(3,588,345)</u>	<u>(1,934,131)</u>
-	1,636,423	-	-	1,636,423	3,588,345	5,224,768
-	-	(1,064,814)	(136,158)	(2,827,901)	-	(2,827,901)
-	1,636,423	(1,064,814)	(136,158)	(1,191,478)	3,588,345	2,396,867
(14,364)	-	(180,195)	(26,367)	462,736	-	462,736
-	-	1,962,981	108,416	3,622,279	-	3,622,279
<u>\$ (14,364)</u>	<u>\$ -</u>	<u>\$ 1,782,786</u>	<u>\$ 82,049</u>	<u>\$ 4,085,015</u>	<u>\$ -</u>	<u>\$ 4,085,015</u>

CITY OF LAKEWOOD

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STATE GASOLINE TAX SPECIAL REVENUE FUND

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income, rents and concessions	\$ 20,000	\$ 20,000	\$ 20,024	\$ 24
From other agencies	1,505,500	1,505,500	1,777,534	272,034
TOTAL REVENUES	1,525,500	1,525,500	1,797,558	272,058
OTHER FINANCING USES:				
Transfers out	-	(1,540,017)	(1,609,988)	(69,971)
NET CHANGE IN FUND BALANCE	1,525,500	(14,517)	187,570	202,087
FUND BALANCE AT BEGINNING OF YEAR	26,413	26,413	26,413	-
FUND BALANCE AT END OF YEAR	\$ 1,551,913	\$ 11,896	\$ 213,983	\$ 202,087

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 90,000	\$ 90,000	\$ -	\$ (90,000)
EXPENDITURES:				
Current:				
Culture and leisure	-	58,560	14,494	44,066
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	90,000	31,440	(14,494)	(45,934)
OTHER FINANCING USES:				
Transfers out	(163,000)	(167,396)	(14,489)	152,907
NET CHANGE IN FUND BALANCE	(73,000)	(135,956)	(28,983)	106,973
FUND BALANCE AT BEGINNING OF YEAR	99,999	99,999	99,999	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 26,999	\$ (35,957)	\$ 71,016	\$ 106,973

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SEWER RECONSTRUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 500	\$ 500	\$ -	\$ (500)
EXPENDITURES:				
Current:				
Community development	-	78,000	-	78,000
NET CHANGE IN FUND BALANCE	500	(77,500)	-	77,500
FUND BALANCE AT BEGINNING OF YEAR	168,991	168,991	168,991	-
FUND BALANCE AT END OF YEAR	<u>\$ 169,491</u>	<u>\$ 91,491</u>	<u>\$ 168,991</u>	<u>\$ 77,500</u>

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROP A TRANSIT SPECIAL REVENUE FUND

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,076,719	\$ 76,719
Investment income, rents and concessions	34,000	34,000	43,932	9,932
Other	11,091	11,091	16,829	5,738
TOTAL REVENUES	1,045,091	1,045,091	1,137,480	92,389
EXPENDITURES:				
Current:				
Transportation	727,313	721,872	609,953	111,919
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	317,778	323,219	527,527	204,308
OTHER FINANCING USES:				
Transfers out	-	(100,000)	(2,452)	97,548
NET CHANGE IN FUND BALANCE	317,778	223,219	525,075	301,856
FUND BALANCE AT BEGINNING OF YEAR	1,255,479	1,255,479	1,255,479	-
FUND BALANCE AT END OF YEAR	\$ 1,573,257	\$ 1,478,698	\$ 1,780,554	\$ 301,856

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income, rents and concessions	\$ 17,000	\$ 17,000	\$ 10,748	\$ (6,252)
From other agencies	1,530,425	1,530,425	1,481,322	(49,103)
TOTAL REVENUES	1,547,425	1,547,425	1,492,070	(55,355)
EXPENDITURES:				
Current:				
Community development	1,547,425	1,547,425	1,506,434	40,991
NET CHANGE IN FUND BALANCE	-	-	(14,364)	(14,364)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ -	\$ -	\$ (14,364)	\$ (14,364)

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HOUSING ADMINISTRATION SPECIAL REVENUE FUND

For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income, rents and concessions	\$ -	\$ -	\$ 41,248	\$ 41,248
Other	-	-	32,616	32,616
TOTAL REVENUES	-	-	73,864	73,864
EXPENDITURES:				
Current:				
Community development	-	2,056,466	1,716,287	346,179
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(2,056,466)	(1,636,423)	420,043
OTHER FINANCING SOURCES:				
Transfers in	-	-	1,636,423	1,636,423
NET CHANGE IN FUND BALANCE	-	(2,056,466)	-	2,056,466
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ -	\$ (2,056,466)	\$ -	\$ 2,056,466

See independent auditors' report

CITY OF LAKEWOOD

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROP C TRANSPORTATION SPECIAL REVENUE FUND

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 800,000	\$ 800,000	\$ 892,935	\$ 92,935
Investment income, rents and concessions	57,000	57,000	46,392	(10,608)
Other	3,646	3,646	3,674	28
TOTAL REVENUES	860,646	860,646	943,001	82,355
EXPENDITURES:				
Current:				
Transportation	60,968	59,949	58,382	1,567
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	799,678	800,697	884,619	83,922
OTHER FINANCING USES:				
Transfers out	(800,000)	(2,578,252)	(1,064,814)	1,513,438
NET CHANGE IN FUND BALANCE	(322)	(1,777,555)	(180,195)	1,597,360
FUND BALANCE AT BEGINNING OF YEAR	1,962,981	1,962,981	1,962,981	-
FUND BALANCE AT END OF YEAR	<u>\$ 1,962,659</u>	<u>\$ 185,426</u>	<u>\$ 1,782,786</u>	<u>\$ 1,597,360</u>

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AB 2766 SPECIAL REVENUE FUND

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income, rents and concessions	\$ 14,000	\$ 14,000	\$ 1,556	\$ (12,444)
From other agencies	88,000	88,000	201,752	113,752
Other	1,924	1,924	3,293	1,369
TOTAL REVENUES	103,924	103,924	206,601	102,677
EXPENDITURES:				
Current:				
Transportation	137,770	128,589	96,810	31,779
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,846)	(24,665)	109,791	134,456
OTHER FINANCING USES:				
Transfers out	(14,077)	(135,343)	(136,158)	(815)
NET CHANGE IN FUND BALANCE	(47,923)	(160,008)	(26,367)	133,641
FUND BALANCE AT BEGINNING OF YEAR	108,416	108,416	108,416	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 60,493	\$ (51,592)	\$ 82,049	\$ 133,641

See independent auditors' report.

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INTERNAL SERVICE FUNDS

Central Stores Fund - To account for the financing of materials and supplies provided to various departments of the City. Costs of the material and supplies are billed to the various department at actual cost at the time the material is used.

Central Garage Fund - To account for maintenance and repair of vehicles and equipment used by various departments of the City. Costs are billed to the various departments as the work is completed.

Print Shop Fund - To account for the printing services provided to the various departments of the City. Costs of materials, supplies and services are billed as the work is completed.

CITY OF LAKEWOOD

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2003

	Central Stores	Central Garage	Print Shop	Totals
ASSETS				
CURRENT ASSETS:				
Cash and investments	\$ 25,771	\$ 6,779	\$ 4,457	\$ 37,007
Inventory	92,266	15,359	-	107,625
TOTAL CURRENT ASSETS	118,037	22,138	4,457	144,632
NONCURRENT ASSETS				
Capital assets:				
Equipment	-	1,336,973	-	1,336,973
Less accumulated depreciation	-	(963,049)	-	(963,049)
Total capital assets (net of accumulated depreciation)	-	373,924	-	373,924
TOTAL ASSETS	118,037	396,062	4,457	518,556
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	4,146	1,101	653	5,900
Accrued liabilities	-	5,678	3,804	9,482
Due to General Fund	76,608	-	-	76,608
TOTAL CURRENT LIABILITIES	80,754	6,779	4,457	91,990
NET ASSETS				
Invested in capital assets, net of related debt	-	373,924	-	373,924
Unrestricted	37,283	15,359	-	52,642
TOTAL NET ASSETS	\$ 37,283	\$ 389,283	\$ -	\$ 426,566

See independent auditors' report.

CITY OF LAKEWOOD

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

For the year ended June 30, 2003

	Central Stores	Central Garage	Print Shop	Totals
OPERATING REVENUES:				
Billings to departments	\$ 159,721	\$ 384,633	\$ 132,194	\$ 676,548
Other revenue	373	14,341	9,519	24,233
TOTAL OPERATING REVENUES	160,094	398,974	141,713	700,781
OPERATING EXPENSES:				
Cost of goods sold	155,022	637,090	239,522	1,031,634
Depreciation	-	154,121	-	154,121
TOTAL OPERATING EXPENSES	155,022	791,211	239,522	1,185,755
INCOME (LOSS) BEFORE TRANSFERS	5,072	(392,237)	(97,809)	(484,974)
TRANSFERS IN	-	324,693	97,809	422,502
CHANGES IN NET ASSETS	5,072	(67,544)	-	(62,472)
NET ASSETS AT BEGINNING OF YEAR	32,211	456,827	-	489,038
NET ASSETS AT END OF YEAR	\$ 37,283	\$ 389,283	\$ -	\$ 426,566

See independent auditors' report.

CITY OF LAKEWOOD

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2003

	Central Stores	Central Garage	Print Shop	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund services provided	\$ 159,721	\$ 384,633	\$ 132,194	\$ 676,548
Payments to suppliers	(154,887)	(399,232)	(238,926)	(793,045)
Payments to employees	-	(247,860)	-	(247,860)
Payments for interfund services used	374	14,341	9,519	24,234
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,208	(248,118)	(97,213)	(340,123)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	324,693	97,809	422,502
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	-	(86,365)	-	(86,365)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,208	(9,790)	596	(3,986)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,563	16,569	3,861	40,993
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 25,771	\$ 6,779	\$ 4,457	\$ 37,007
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 5,072	\$ (392,237)	\$ (97,809)	\$ (484,974)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	154,121	-	154,121
Changes in operating assets and liabilities:				
(Increase) decrease in inventories	3,374	(212)	-	3,162
Increase (decrease) in accounts payable	(3,238)	(10,682)	(308)	(14,228)
Increase (decrease) in accrued liabilities	-	892	904	1,796
TOTAL ADJUSTMENTS	136	144,119	596	144,851
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 5,208	\$ (248,118)	\$ (97,213)	\$ (340,123)

See independent auditors' report.

FIDUCIARY FUNDS

AGENCY FUNDS

Deposit Fund - To account for collection and payment of such items as performance bond deposits.

Recreation Fund - To account for collection and payment of recreation excursion program monies.

Housing Rehabilitation Fund - To account for the housing rehabilitation loans financed by the Community Development Block Grant of the Department of Housing and Urban Development.

CITY OF LAKEWOOD

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2003

	Agency Funds			Totals
	Deposit	Recreation	Housing Rehabilitation	
ASSETS:				
Cash	\$ 454,190	\$ -	\$ 412,646	\$ 866,836
Loans receivable	-	-	1,667,297	1,667,297
 TOTAL ASSETS	 \$ 454,190	 \$ -	 \$ 2,079,943	 \$ 2,534,133
LIABILITIES:				
Deposits	\$ 454,190	\$ -	\$ 318,909	\$ 773,099
Due to HUD	-	-	1,761,034	1,761,034
 TOTAL LIABILITIES	 \$ 454,190	 \$ -	 \$ 2,079,943	 \$ 2,534,133

See independent auditors' report.

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2003

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
DEPOSIT FUND				
ASSETS:				
Cash	\$ 425,121	\$ 245,664	\$ 216,595	\$ 454,190
LIABILITIES:				
Deposits	\$ 425,121	\$ 597,954	\$ 568,885	\$ 454,190
RECREATION FUND				
ASSETS:				
Cash	\$ 22,219	\$ -	\$ 22,219	\$ -
LIABILITIES:				
Deposits	\$ 22,219	\$ -	\$ 22,219	\$ -
HOUSING REHABILITATION FUND				
ASSETS:				
Cash	\$ 472,496	\$ 751,037	\$ 810,887	\$ 412,646
Loans receivable	1,833,217	-	165,920	1,667,297
TOTAL ASSETS	\$ 2,305,713	\$ 751,037	\$ 976,807	\$ 2,079,943
LIABILITIES				
Deposits	\$ 361,777	\$ 1,152,212	\$ 1,195,080	\$ 318,909
Due to HUD	1,943,936	174,291	357,193	1,761,034
TOTAL LIABILITIES	\$ 2,305,713	\$ 1,326,503	\$ 1,552,273	\$ 2,079,943
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash	\$ 919,836	\$ 996,701	\$ 1,049,701	\$ 866,836
Loans receivable	1,833,217	-	165,920	1,667,297
TOTAL ASSETS	\$ 2,753,053	\$ 996,701	\$ 1,215,621	\$ 2,534,133
LIABILITIES:				
Deposits	\$ 809,117	\$ 1,750,166	\$ 1,786,184	\$ 773,099
Due to HUD	1,943,936	174,291	357,193	1,761,034
TOTAL LIABILITIES	\$ 2,753,053	\$ 1,924,457	\$ 2,143,377	\$ 2,534,133

See independent auditors' report.

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GOVERNMENT-WIDE EXPENSES BY PROGRAM

CURRENT FISCAL YEAR

Fiscal Year	General Government	Public Safety	Transportation	Community Development	Health and Human Services	Culture and Leisure	Unallocated Infrastructure Depreciation	Interest on Long-term Debt	Water	Total
2007	\$ 6,482,636	\$ 9,542,211	\$ 5,284,110	\$ 6,889,665	\$ 4,133,482	\$ 8,518,769	\$ 1,519,158	\$ 2,563,135	\$ 4,435,676	\$ 50,268,612

This is the first year of implementation of the government-wide expenses by program. Current year totals will continue to be added to this schedule until a total of ten years are listed.

Source: Department of Finance, City of Lakewood

GOVERNMENT-WIDE REVENUES BY SOURCE

CURRENT FISCAL YEAR

Fiscal Year	Program Revenues			General Revenues			Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Grants and Contributions	Investment Income, Rents and Concessions	
2003	\$ 14,240,726	\$ 7,044,959	\$ 2,228,881	\$ 27,094,133	\$ 655,455	\$ 2,973,411	\$ 54,237,565

This is the first year of implementation of the government-wide revenues by source. Current year totals will continue to be added to this schedule until a total of ten years are listed.

Source: Department of Finance, City of Lakewood

SCHEDULE OF EXPENDITURES BY FUNCTION
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Transportation	Community Development	Health and Sanitation	Culture and Leisure	Debt Service	Total
1994	\$ 3,816,556	\$ 6,132,881	\$ 3,401,258	\$ 3,558,692	\$ 3,091,877	\$ 6,441,999	\$ 2,092,410	\$ 28,535,473
1995	4,119,611	6,680,922	4,573,364	3,957,568	3,258,562	5,627,615	1,762,980	29,389,973
1996	5,745,576	6,932,994	3,999,971	5,945,490	3,296,820	6,682,610	1,576,010	32,279,387
1997	3,774,221	7,721,587	3,789,473	3,400,603	2,576,747	5,346,130	2,271,962	29,421,723
1998	4,229,139	7,129,969	4,822,732	3,409,327	2,674,087	6,847,142	2,717,152	31,848,944
1999	4,325,022	7,725,532	5,848,531	4,354,156	2,749,368	6,162,919	1,821,432	33,286,980
2000	4,552,614	8,099,747	6,449,338	6,669,160	3,022,062	6,976,482	1,622,977	37,392,380
2001	4,470,503	8,116,686	10,208,999	6,283,594	3,684,626	8,208,557	3,277,683	44,310,578
2002	5,319,402	8,949,285	6,804,545	6,385,268	3,820,330	6,596,316	1,993,497	39,561,532
2003	5,172,088	9,683,678	7,036,720	6,807,575	4,147,217	8,039,029	3,603,929	45,511,323

The above amounts include capital outlay, which is set forth separately in the Statement of Revenues, Expenditures and Charges in Fund Balances, Governmental Funds.

Source: Department of Finance, City of Lakewood

SCHEDULE OF REVENUES BY SOURCE
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Licenses and Permits	Fines and Forfeitures	Investment Income Rents and Concessions	From other Agencies	Current Service Charges	Other	Total
1994	\$ 14,896,011	\$ 391,688	\$ 326,138	\$ 2,242,778	\$ 7,049,230	\$ 5,009,823	\$ 1,145,598	\$ 31,061,266
1995	14,415,060	818,742	332,178	2,254,860	5,901,426	4,947,511	916,337	29,586,114
1996	15,546,495	426,101	335,803	2,347,158	7,084,146	4,943,109	2,425,262	33,108,074
1997	19,179,682	319,125	267,687	2,910,207	6,970,687	5,086,796	1,328,389	36,062,573
1998	17,589,765	280,229	283,269	3,976,539	7,280,173	5,026,317	925,606	35,361,898
1999	18,204,807	371,854	441,935	3,093,155	7,578,543	5,244,734	850,409	35,785,437
2000	19,673,989	534,804	489,584	2,858,296	9,156,337	5,510,190	585,043	38,808,243
2001	21,799,842	449,204	502,205	4,143,179	12,453,303	5,403,063	1,201,060	45,951,856
2002	22,287,162	427,608	538,870	3,073,309	9,327,314	5,698,497	1,040,113	42,392,873
2003	23,805,100	659,201	612,967	2,876,540	11,543,865	6,069,882	1,013,740	46,581,295

Source: Department of Finance, City of Lakewood

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Levy
1994	\$ 1,034,532	* \$ 1,026,244	99.2 %	\$ 56,452	\$ 1,082,696	104.7 %
1995	1,626,220	1,617,905	99.5	6,544	1,624,449	99.9
1996	1,918,865	1,966,017	102.5	3,712	1,969,729	102.7
1997	2,030,556	1,814,736	89.4	25,703	1,840,439	90.6
1998	1,995,892	1,937,757	97.1	42,694	1,980,451	99.2
1999	2,054,891	2,045,061	99.5	9,204	2,054,265	100.0
2000	2,114,842	2,268,538	107.3	33,183	2,301,720	108.8
2001	2,242,359	2,479,668	110.6	3,108	2,482,776	110.7
2002	2,359,786	2,378,123	100.8	9,626	2,387,749	101.2
2003	2,478,507	2,612,402	105.4	30,440	2,642,842	106.6

* Adjusted for AB 1197, SB 697 and SB 2557 changes in property tax allocations

Source: Department of Finance, City of Lakewood

ASSESSED AND ESTIMATED VALUE OF ALL TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(In 000's)

Fiscal Year	Land	Improvements	Personal Property	Total	Less Exemptions	Net Assessed Value	Estimated Actual Value
1994	\$ 1,575,569	\$ 1,656,694	\$ 71,887	\$ 3,304,150	\$ 18,505	\$ 3,285,645	\$ 3,304,150
1995	1,648,900	1,704,997	74,650	3,428,547	25,999	3,402,548	3,428,547
1996	1,693,444	1,720,734	72,780	3,486,958	29,743	3,457,215	3,486,958
1997	1,756,179	1,806,798	77,232	3,640,209	20,779	3,619,430	3,640,209
1998	1,775,364	1,789,388	70,429	3,635,181	33,767	3,601,414	3,635,181
1999	1,813,549	1,827,061	76,691	3,717,301	38,838	3,678,463	3,717,301
2000	1,888,855	1,882,440	75,534	3,846,829	38,450	3,808,379	3,846,829
2001	2,028,644	1,947,875	79,905	4,056,424	36,070	4,020,354	4,056,424
2002	2,184,459	2,029,550	93,247	4,307,256	30,778	4,276,478	4,307,256
2003	2,349,057	2,107,286	84,217	4,540,560	39,015	4,501,545	4,540,560

Source: Los Angeles County Assessor's Office

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS

(PER \$100 OF ASSESSED VALUATION)

LAST TEN FISCAL YEARS

Fiscal Year	General City	Los Angeles County	School Districts	Sanitation and Water	Water Districts	Other	Total
1994	\$ -	\$ 0.0017	\$ 0.0042	\$ 0.0052	\$ 0.0089	\$ 1.0000	\$ 1.0200
1995	-	0.0020	0.0084	0.0075	0.0089	1.0000	1.0268
1996	-	0.0018	0.0032	0.0027	0.0089	1.0000	1.0166
1997	-	0.0016	0.0046	0.0021	0.0089	1.0000	1.0172
1998	-	0.0016	0.0307	0.0228	0.0089	1.0000	1.0639
1999	-	0.0015	0.0914	0.0015	0.0089	1.0000	1.1032
2000	-	0.0014	0.0971	0.0016	0.0089	1.0000	1.1090
2001	-	0.0013	0.0985	0.0013	0.0088	1.0000	1.1100
2002	-	0.0011	0.1094	0.0010	0.0077	1.0000	1.1193
2003	-	0.0010	0.1186	0.0000	0.0067	1.0000	1.1263

Source: Los Angeles County Auditor/Controller - Tax Division

SCHEDULE OF LEGAL DEBT MARGIN

JUNE 30, 2003

Net assessed value of all taxable property

\$4,501,545,343

Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

The City of Lakewood has no general bonded indebtedness.

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

JUNE 30, 2003

2002-03 Assessed Valuation: \$4,017,891,018 (after deducting \$483,654,325 redevelopment incremental valuation)

	Gross Bonded Debt Balance	Percent Applicable to City of Lakewood	City of Lakewood Share of Debt
DIRECT AND OVERLAPPING BONDED DEBT:			
LA County Facilities 1987 Debt Service	\$ 30,225,000	0.684 %	\$ 206,879
LA County Flood Control Storm Drain Debt Service	10,110,000	0.700	70,769
Flood Control Ref Bonds 1993 Debt Service	845,000	0.700	5,915
Central Basin Munic Water District	475,265,000	0.706	3,356,730
Long Beach Community College District	40,000,000	9.025	3,610,039
ABC Unified School District	57,554,966	43.962	8,433,845
Paramount Unified School District	34,039,976	21.658	3,686,287
Long Beach Unified School District	212,265,000	45.110	19,150,600
Total gross direct and overlapping bonded debt			\$ 38,521,064

Ratios to Assessed Valuation:

Direct debt	-	%
Total gross debt	0.96	%
Total net debt	0.96	%

Note: Prepared for the City of Lakewood by Hinderliter, de Llamas & Associates.

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>School Enrollment</u>
1994	75,286	12,629
1995	76,007	12,962
1996	77,149	13,317
1997	78,323	14,024
1998	79,005	14,381
1999	80,100	14,747
2000	80,952	15,115
2001	81,100 *	15,523
2002	81,400	15,786
2003	82,300	Not Available

Source: Population - State Department of Finance
 * Census 2000 reduced this figure to 79,345

School enrollment - Department of Community Development, City of Lakewood

PRINCIPAL TAXPAYERS

JUNE 30, 2003

Albertsons
Arco
Best Buy
Circuit City Stores
Corner Market
Harbor Chevrolet
Home Depot
Hometown Buffet
J. C. Penney
Kinney Shoe Corporation
Long Beach Lincoln Mercury
Macy West
Marshalls
McDonald's
Mervyns
Pacific Ford
Red Lobster
Robinsons May
Ross Stores
Sav On Osco Drug Stores
Vons Companies
Wal Mart

Amounts paid by taxpayers are confidential. Taxpayers are listed in alphabetical order.

Source: Hinderliter, de Llamas & Associates

CONSTRUCTION, PROPERTY VALUE AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Fiscal Year	Total Number of Residential Permits	Total Number of Commercial Permits	Total Number of Permits	Total Valuation (in 000's)	Bank Deposits (in 000's)	Total Assessed Valuations (in 000's)
1994	1,384	159	1,543	\$ 30,958	\$ 1,255,548	\$ 3,304,150
1995	1,246	164	1,410	21,697	1,234,769	3,428,547
1996	1,267	211	1,478	23,250	1,203,904	3,486,958
1997	1,180	227	1,407	15,749	1,156,933	3,640,209
1998	1,254	167	1,421	15,216	1,138,443	3,635,181
1999	1,248	163	1,411	25,933	1,084,401	3,717,301
2000	1,195	213	1,408	73,750	1,012,534	3,846,829
2001	1,265	294	1,559	30,429	1,013,803	4,056,424
2002	1,400	219	1,619	23,668	1,050,189	4,307,256
2003	1,664	248	1,912	52,763	1,058,036	4,540,560

Source: Department of Community Development and Department of Finance, City of Lakewood

MISCELLANEOUS STATISTICS

JUNE 30, 2003

Date of incorporation	April 16, 1954
Form of government	Council-City Administrator (General Law)
Area	9.5 square miles
Miles of streets	196 miles
Number of street lights	6,654

Fire protection:

The City of Lakewood is part of the Los Angeles County Consolidated Fire Protection District.

Number of stations	3
Number of firemen and officers	51

Police protection:

The City of Lakewood contracts with the County of Los Angeles for police protection. The Lakewood Sheriff Station serves six cities.

Number of stations	1
Number of sworn personnel	256

Municipal water department:

Number of consumers	20,412
Average daily consumption	8,100,000 gallons
Miles of water mains	195 miles

Sewers	167 miles
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Building permits issued	1,912
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Culture and leisure:

Number of recreation facilities	13
Acres of facilities	151.6
Number of pools	2
Number of libraries	2
Number of volumes	314,285

The City of Lakewood is part of the Los Angeles County Library District

Employees:

Full time	171
Part time	199

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